

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1975-76)**

(FIFTH LOK SABHA)

SEVENTIETH REPORT

Action taken by Government on the recommendations contained in the Fifty-fifth Report of the Committee on public Undertakings (Fifth Lok Sabha).

**HINDUSTAN PHOTO FILMS MANUFACTURING
COMPANY LIMITED**

Ministry of Industry & Civil Supplies



**LOK SABHA SECRETARIAT
NEW DELHI**

July, 1975/Sravana, 1897 (S)
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**COMMITTEE ON PUBLIC UNDERTAKINGS
(1975-76)**

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3. Shri Bhogendra Jha
4. Shrimati Sheila Kaul
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Shri K. S. Bhalla—*Senior Financial Committee Officer.*

**COMPOSITION OF THE ACTION TAKEN SUB-COMMITTEE OF
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6. Shri Damodar Pandey

7. Shri Atal Bihari Vajpayee

INTRODUCTION

I, The Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present the Seventieth Report on Action Taken by Government on the recommendations contained in the Fifty-fifth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Hindustan Photo Films Manufacturing Company Ltd.

2. The Fifty-fifth Report of the Committee on Public Undertakings was presented to Lok Sabha on the 30th April, 1974. The replies of Government (not vetted by Audit) to all the 40 recommendations contained in the Report were received in batches and the last batch was received on the 3rd February, 1975. Further information sought in respect of certain points was received on the 11th June, 1975. The replies, were considered by the Action Taken Subcommittee of the Committee on Public Undertakings and this Report adopted by them at their sitting held on the 28th June, 1975. The Report was finally adopted by Committee on Public Undertakings on the 22nd July, 1975.

3. The Report has been divided into the following four Chapters:

- (i) Report.
- (ii) Recommendations that have been accepted by Government.
- (iii) Recommendations which the Committee do not desire to pursue in view of Government's replies.
- (iv) Recommendations in respect of which replies of Government have not been accepted by the Committee.

4. An analysis of the Action taken by Government on the recommendation contained in the Report of the Committee is given in Appendix VI. It would be observed therefrom that out of the total number of recommendations made in the Report, 40 per cent have been accepted by the Government. The Committee do not desire to pursue 27½ per cent of the recommendations in view of the Government's replies. Replies of Government in respect of 32½ per cent of the recommendations have not been accepted by the Committee.

NAWAL KISHORE SHARMA,

Chairman,

Committee on Public Undertakings.

NEW DELHI;

July 23, 1975.

Shravana 1, 1897 (S)

CHAPTER I

REPORT

Collaboration Agreement

Recommendation Serial No. 1 (Paras 2.16 to 2.19)

The Committee recommended to the Government to investigate and fix responsibility as to how an important file containing the feasibility study and the economics of the project was not kept with care that it deserved as a permanent record for reference. The Committee desired the file to be traced by Government and responsibility for its being misplaced fixed. The Committee also desired to know the action taken or proposed to be taken by Government to ensure that all such important documents relating to Government departments or public undertakings were kept with utmost care for permanent reference and record.

2. The Government stated in their reply that Office Procedure Manual contained a number of provisions and if they were scrupulously followed by every one, there would be no occasion for files either to get lost or misplaced.

The matter was taken up with the various Section Officers who had held charge of various Sections during the period 1956-71, during which the project (H.P.F.) was being dealt with in those Sections. They have all replied stating that they had scrupulously followed the relevant provision in the Office Procedure Manual for the safe custody of Government documents and that they are unable to throw at this point of time, any clue about the movement of this particular file.

3. The Government added that they were not satisfied with the explanation of the Section Officers concerned that they had scrupulously followed the various provisions in the Office Procedure Manual for the safe custody of Government documents and that they were unable to throw, at this point of time, any clue about the movement of this particular file. It is, therefore, proposed to carry out further investigations systematically with a view to locating the missing papers and to fix responsibility for the loss of these papers.

4. The Committee are not happy at the leisurely manner in which the recommendation has been dealt with. Even after year

of presentation of the report, the investigation has not been done and responsibility for the loss of file has not been fixed.

5. The Committee would like that the matter should be expedited and they may be kept informed of the development in this regard.

Acceptance Tests

Recommendation Serial No. 2 (Paras 2.41 to 2.43)

6. The Committee took a serious view of the failure of the Management to provide for suitable acceptance tests so as to ensure input-output relationship at every stage of production and the efficiency of the plant before its take-over from the collaborators and therefore recommended that this should be investigated and responsibility for the failure fixed.

7. Conceding that the original collaboration agreement did not provide for suitable acceptance tests, the Govt. added that the revised draft agreement dated the 9th February, 1966 was a pragmatic attempt at reconciling as far as possible the different view-points of both Bauchet and HPF. The Government, stated that it was the collective judgement of the members of the Board of Directors of the Company at that time that the revised terms were fair to both the parties and that, in the circumstances, no useful purpose would, in their opinion, be served in fixing responsibility for the problems encountered in the implementation of the agreement. They added that it would also be difficult to pinpoint responsibility on any one individual for the deficiencies in the agreement.

8. Since the Government do not consider it worth while or practicable to investigate and fix the responsibility in this case at this late stage, the least that the Committee expect from the Government is that they would draw lessons from the experience gained from this case and bear it in mind while entering into collaboration agreements in future.

Delay in Completion of the Project

Recommendation Serial No. 7 (Paras 3.33 to 3.38)

9. The Committee recommended that Government should investigate and fix responsibility for the various lapses of the Manage-

ment in safeguarding public interest at various stages of the project viz:—

- (i) delay of about 5 years in completion of the acceptance tests,
- (ii) delay in completion of the project and commencement of production and non-fixation of targets
- (iii) Problems connected with the location, site.
- (iv) defects in the equipment supplied by the collaborators and;
- (v) not invoking the clauses in the agreement relating to compensation.

The Committee desired to be informed of the action taken in the matter.

10. In their reply the Government stated that this was the first project of its kind in the Nilgiris and neither the HPF nor their collaborators had past experience of establishing a project of this magnitude in a remote hilly area like Ooty. Moreover, the Company had to give preference to the local labour. While there had been serious delay, it was to be noted that all the people connected with the setting up of the project had either retired or had left the Company. It was felt by Government that the time, effort and energy expended on pinpointing responsibility for these lapses might not, at this stage, be either useful or justified and that "the lessons of past failures should be utilised to both avoid recurrence of similar lapses in the future as well as to pin-point the remedies for some of the present lacunae in the working of the HPF, rather than to apportion blame or responsibility which today will be only of academic interest."

11. The Committee are unable to agree with the Government that pinpointing responsibility for the lapses at the various stages of the project may not be useful and justified at this stage. In fact they feel that the problems connected with the place should have been considered at the time of selection of the site for the project. The Committee believe that if lessons from the past failures have to be learnt, a thorough investigation of the role of the management is absolutely necessary as such an action would make the present personnel of the Company cautious and judicious in handling public funds and the Government wiser. The Committee, therefore,

reiterate that Government should investigate the matter and fix responsibility for the lapses of the Management in safeguarding public interest at various stages.

Defects in the Soil Testing

Recommendation Serial No. 10 (Para 3.58)

12. The Committee regretted that on account of the incorrect advice of the collaborators and failure of the Management in not assessing the characteristics of soil and terrain in advance payment made to the architects towards cost of pile driving was rendered infructuous. The Committee desired that matter should be investigated with a view to pinpoint the lapses on the part of the Management.

13. The Government in their reply conceded the fact of infructuous expenditure of Rs. 9401 representing advance payment to architect for a project costing several crores of rupees and stated that it would be difficult to hold the Management at that time responsible for the lapses in this regard.

14. The Committee at this stage can only stress that such lapses should be avoided in future.

Actual Production Vis-a-vis Build up of Capacity

Recommendation Serial No. 13 (Paras 4.17 to 4.19)

15. The Committee wanted the Government to investigate why the build-up of capacity of the plant was not correspondingly revised and incorporated simultaneously in the modified agreement and responsibility fixed for the lapses in this regard.

16. The Government replied that on the basis of the phased programme, as originally indicated in the DPR, the Management of HPF was expected to work out a revised schedule for the change in product-mix, dependent on the progress achieved in the individual product lines and that explained the reason why the build up in capacity was not made a part of the modified agreement.

17. The Committee are not convinced of the reasons advanced by the Government. They still feel that the revised build up of capacity should have been made a part of the modified agreement. They therefore reiterate their recommendation that the matter should be investigated and responsibility for the lapse fixed.

Switch-over from imported cellulose Triacetate to the indigenous material

Recommendation Serial No. 15 (Paras 4.47 to 4.50)

18. The Committee were surprised to find that the question of recovering any portion of the cost of modifying the machines to make them suitable for using the material supplied by the private firm was not pursued earnestly. The Committee recommended that the entire matter should be investigated and responsibility for the lapses of the Management at the different stages fixed. The Committee also recommended that the Management should make sure about the physical and chemical characteristics of Triacetate in consultation with Research Institutes and other experts in the field before entering into further commitments for the purchase of indigenous material from the private firm.

19. The Government in their reply stated that the question of M/s. Mysore Acetate & Chemicals Company Ltd., sharing the expenditure on the modification of the base casting machines was discussed at length by the Board of Directors of HPF at their meeting held on 5-7-1971, when the Managing Director of MACC was also present. Taking into consideration all the facts of the case, it was decided that there was no rational basis on which any compensation could be obtained from MACC, more so, as the collaboration for heterogeneous type of Cellulose Triacetate was concluded by MACC only after obtaining the approval of HPF for supply of heterogeneous type of Cellulose Triacetate.

20. The Committee are not convinced with the reply of the Government and, therefore, reiterate that the entire matter should be investigated and responsibility for the lapses of the Management at the different stages fixed.

Rejections

Recommendation Serial No. 16 (Paras 4.76 to 4.78)

21. The Committee found that one of the reasons for the shortfall in production was the heavy percentage of inprocess rejections. The Committee noted that during 1968-69 to 1971-72 the percentage of rejections ranged from 85 to 152 per cent in the case of Cine Film Positive, 176 to 444 per cent in the case of Medical X-ray Films and 16 to 68 per cent in the case of bromide papers with reference to final output against the norms of 11.36 per cent, 27.01 per cent and 9.18 per cent prescribed for these in DPR. The rejections were the heaviest at the base casting and conversion in respect of all the years.

An analysis of the input and output position of the different processes indicated that the substration, coating and conversion department had spare capacity to take larger inputs, which however, was not utilised on account of the inability of the base casting department to feed all the subsequent processes. The inability of the base casting department was mainly due to the high rejections and also due to under utilisation of the capacity.

22. The Committee noted that no attempts were made to locate the problem from the base casting side and increase the production at the base casting unit by increasing the speed of the base casting unit nor to analyse the causes of rejection at that stage. Even the available input was not processed in the coating and conversion departments.

23. The Committee felt that in spite of these heavy rejections at different stages, no cause-wise analysis of the rejections was done by the Management. It was surprising that even after the Management had known about these rejections in the working of the plant through the years, it was only towards the close of 1971-72 that they initiated corrective action to effect improvements, when the cumulative loss of the plant was over Rs. 11 crores and the entire capital of the Company was wiped off. The Undertaking had already incurred an expenditure of Rs. 29 lakhs upto September, 1973 and expected to incur an additional expenditure of Rs. 16 lakhs to complete the improvements.

24. The Committee expressed their feeling of dissatisfaction that the Undertaking had allowed matters to drift thereby causing heavy losses to the Undertaking year after year. The Committee recommended that the matter should be thoroughly investigated with a view to fixing responsibility for the failures at various stages and to take remedial measures without further loss of time, to achieve best production results and eliminate losses on account of heavy rejections.

25. In their reply Government stated that the Management of Company had submitted that during the process stabilisation, for a sophisticated technology, rejections were an inevitable price one had to pay. But the Company had taken a number of steps like improvements to the equipment and the processes to bring about a reduction in the rejection levels. Additional instrumentation and control facilities had been provided in a fairly extensive way. Steps had also been taken to introduce Statistical Quality Control techniques and rigorous process controls in all important

operations and at all stages of manufacture. Modifications to Base Casting Machines were completed by July, 1973 and improvements/modifications to Festoon Coating Machine was completed by the end of 1972-73. A solvent recovery plant had been installed to improve the efficiency of solvent recovery in the base casting. As a result of these measures, the rejection levels had come down considerably in respect of all the products during the years 1973-74 and 1974-75. The percentage of rejections has been brought down to about 26 per cent in the case of cine positive about 55 per cent in the case of X-ray and about 11 per cent in the case of Bromide Paper. The Company had also assured that they were taking all remedial measures possible to stabilise the production and improve the operating performance. Government were satisfied with the various remedial measures being taken by the Company and were of the view that it would be difficult to pin-point responsibility on any individual for the lapse which occurred in the past, at this distant point of time.

26. On a further enquiry of the Committee about the specific steps taken and results achieved in reducing the percentage of rejections and how the rejections compared with the earlier years, the Government stated that following steps had been taken to reduce the percentage of rejections.

(i) *Base Casting Department*

All the six base casting machines have been modified and the air flow pattern was changed to cast the indigenous Triacetate.

The viscosity of the collodion (Casting dope) was doubled to increase the casting speeds and reduce the solvent losses.

A Solvent Recovery Plant was installed and solvent losses brought down from 1.6 kgs. to 1 kg. per kg. of base produced.

(ii) *Coating Department:*

Instruments have been installed to ensure closer temperature and humidity control. Higher throughput of air into the drying zones of Festoon Coating Machines which brought down the rejections due to static.

Better insulation of chilling zones to improve the top coat and reduce the rejections due to top coat defects of X-ray.

....

Stick falls and consequent rejections were reduced by introduction of roller chains instead of link chains.

A new system to have closer control of coating trough was introduced by which the variations in temperature brought down to minimum and the coating quality improved.

The stick feeding system in Coating machines was also improved.

27. The comparative figures of rejections for the last three years are furnished below:—

Product	72-73	73-74	74-75	Lowest rejection in a month during 74-75
35 mm Cine Positive	37.19	36.53	35.06	23.09
X-ray	65.09	61.45	64.42	48.95
Paper	17.64	15.44	16.69	7.75
Cine Sound	35.00	51.56	50.64	40.00

During the year 1974-75 some trials were conducted to increase the speed of the Coating. The rejections arising out of such trials as well as certain batch rejections due to sensitometry caused by change in the raw materials amounting to about 3 per cent in X-ray has not been included in the above figures.

The increase in the rejection level in Bromide Paper compared to 1973-74 is due to the change over of Purchase of Base Paper from German sources to French sources. The price of paper is, however, lower by about 25 per cent compared to the price of the previous suppliers.

28. The Committee regret to note that the percentage of rejections are even now higher than the norms prescribed in the DPR. The percentage of rejections in the case of X-ray films in 1974-75 though slightly less than that in 1972-73 is higher than that in 1973-74. Similar is the case with Bromide Paper. The Committee would like that the percentage of rejections should be kept under constant review so that remedial measures may be taken in time to keep the percentage of rejections within the prescribed norms.

Recovery and accounting of silver

for Recommendation Serial No. 17 (Paras 4.130 to 4.146)

29. The Committee noted that the undertaking set up a plant for the production of Silver Nitrate and a Silver Recovery Plant at a cost of Rs. 13 lakhs in 1966-67. The expectation at the time of setting up of Silver Nitrate and Silver Recovery Plants was that almost the entire Silver content from the waste would be recovered. For accounts upto 1969-70, the consumption of silver was worked out on the basis of silver content in the finished product and in the work in progress and the balance of input was shown as recoverable from sludge granules, waste-scrap etc.

30. The Committee, however, found that recovery of Silver from Sludge and granules was not made on regular basis till 1969-70.

31. The Committee noted that it was only during 1970-71 that certain *ad hoc* norms were fixed by a Task Force appointed by the Management.

32. The Committee found that on the basis of consumption figures derived in the above manner and on the basis of the *ad hoc* norms silver of value Rs. 28 lakhs was treated as lost for purposes of annual accounts for 1970-71 and charged to the account by reduction of the closing stock of silver-in-process without relating it to the actual recovery made from the different elements.

33. During 1971-72, the Committee found that Silver valued at Rs. 22 lakhs was deemed to have been lost and adjusted in account with reference to the *ad hoc* norms fixed by the management.

34. During 1972-73 silver valued at Rs. 38 lakhs was considered to have been lost and adjusted in accounts.

It was only in October, 1972 that a certain quantity of slag was sent for the first time to Bharat Gold Mines Limited for recovery of silver. It was admitted during the evidence by the Management that they were not aware whether facilities were available under Bharat Gold Mines Limited for recovery of silver from slag.

35. The Committee were informed that even after the reported fixation of *ad hoc* norms no attempt was made for investigating losses in excess of these norms and they were treated as abnormal losses and written off in the accounts. The Committee found also that the loss attributed to over coating could not be established.

36. There was also no arrangement for periodical stocktaking of all the silver bearing wastes and silver in catchpit sludge, anode bags and slags was not verified during 1971-72. There was also no proper system for collection, weighment, and expeditious disposal of wastes.

37. The Committee found that it was only in June, 1973, when the losses were higher than the *ad hoc* norms, that the matter was reported to the Management and Board by the Finance Division. The Directors expressed grave concern at the casual manner in which the shortages were handled even though the losses were as high as Rs. 30 lakhs in respect of 1972-73 alone. The Board requested the Company Auditors to arrange for fresh inventory of all stocks as on 1st June, 1973 in liaison with the Manager Finance Division to ensure that the true state of affairs of the Company were known and to evaluate the liability of the Company on all counts before the accounts for 1972-73 were closed. The Board also directed that the Managing Director should investigate the shortage thoroughly and submit a detailed report thereon. The Committee were informed that, since then the matter had been thoroughly investigated, silver consumption norms had been fixed, control points established and documentation tightened.

38. According to the Report of the Management a loss of 7619 kgs. of silver of the value of over Rs. 42 lakhs was established for the year 1972-73 on the basis of independent verification and norms estimated by the Company in 1970-71 and on this basis of the total loss of silver from 1968-69 to 1972-73 would work to Rs. 93 lakhs.

39. Investigations conducted by the Company Auditors however, revealed that the total loss from 1966-67 to 1972-73 exceeded Rs. 1 crore.

40. The Committee were informed that a special technologist was going into the losses of silver year by year and also the question of standards.

41. The Committee expressed their dissatisfaction over the negligence on the part of the Management to not only keep an effective control over the use of such a costly raw material like silver, but to have even failed to bring the facts to the notice of Board immediately after the loss was known to them.

42. The Committee recommended that the entire matter should be investigated by a High Level Committee to pin-point the lapses

on the part of Management and all others concerned and to ascertain as to how far the loss of silver was consequential to normal utilisation and whether the loss was not due to other causes like avoidable wastage, pilferage etc. and to fix the responsibility for the same.

43. Pending investigation at high level as suggested by the Committee in the foregoing paragraph Government might consider the question of issuing guidelines to other public undertakings so that the adequate care was taken in the use of precious metals, chemicals and other raw materials required for manufacture to obviate losses in storage and handling and that norms of their consumption/wastage in processing should be precisely laid down on the basis of the best expert advice available so as to obviate any chances of pilferage, wastage etc.

44. There should also be proper management control to ensure that important data about consumption and wastage of these precious metals, chemicals, raw materials etc. in manufacture were reported to the management together with the prescribed norms and where the losses were of a substantial nature, these should be reported specifically without delay to the Board of Directors and Government.

45. In their reply the Government stated that in June, 1973, when the silver losses for the year ending 31st March, 1973 were higher than the *ad hoc* norms, the matter was for the first time reported to the Management and the Board by the Finance Division of the Company. In their meeting held on the 8th June, 1973, the Directors expressed grave concern at the casual manner in which the shortages were handled, even though the losses were very high. In the meeting held on 8th June, 1973 and the subsequent meetings held on 3rd September, 1973 and 27th October, 1973, the Board of Directors noted that no comprehensive data relating to consumption of silver was available and that the silver content in the finished product was being determined on an *ad hoc* basis each year, which was not related to any authentic laboratory reported. It was, therefore, difficult to determine whether the loss was attributable entirely to process losses or to other sources like avoidable wastages, pilferage etc. It was also noted that the company did not have any valid reference standards for process losses. In the circumstances, the Board had arranged with the Statutory Auditors to carry out a special investigation by taking a fresh inventory of the closing balance of silver in works in progress, emulsion, sludge and granules, coated rolls, coated scrap and silver nitrate for the year ended 31st March, 1973. As no proper documentation was

maintained all these years, it was difficult to determine whether the silver losses were attributable entirely to the process loss or to other sources. The Company had, therefore, no other alternative except to treat 6772 Kgs. of silver valued at Rs. 37.50 lakhs as unaccounted deficit accrued so far. As a result of the investigations carried out by the Board, valid process standards for silver had now been formulated and documentation at the principal control points have been streamlined. Several measures had also been taken to tighten the system to reduce the process losses. The data presented since November, 1973, indicated that the consumption had been brought under control.

46. As far as the balance quantity of silver to be recovered was concerned, the Management had reported that M/s. Bharat Gold Mines were awaiting receipt of imported stocks of sodium cyanide to process the slag available. This was expected to be cleared within the next two months.

47. The Management had also reported that a high level Committee with Prof. Subramaniam, Chairman of Bharat Gold Mines, as Chairman and Master of the Mint and Senior Scientist, RRLI as Members had been formed to investigate the subject of standard process losses in silver and submit a detailed report for further investigation. It might also be pointed out that when the fact of abnormal losses of silver was brought to Government's notice in June, 1973 the then Managing Director of the Company was asked to proceed on leave. Later, on, he resigned and left the services of the Company.

47. As per the recommendations of the Public Undertakings Committee that Government might consider the question of issuing guidelines to other Public Undertakings so that adequate care was taken in the use of precious metals, chemicals and other raw materials required for manufacture the Bureau of Public Enterprises had issued suitable instructions vide their O.M. No. 21/1/74-BPE/MM dated the 5th August, 1974 regarding fixation of Material Consumption Norms.

49. In a further reply Government stated as follows:—

A High Power Committee was constituted during October, 1974 to investigate the process losses in silver. The Committee, headed by Professor Subramaniam of Bharat Gold Mines Limited, Kolar, could not visit HPF because of certain labour trouble at Bharat Gold Mines. It was expected that the Committee would visit HPF and its findings would be available shortly.

While the silver losses came to the notice of the Management/Board in June '73, the High Power Committee was appointed during October, 1974. It might however, be mentioned that prior to the appointment of High Power Committee, the Management took the following action in regard to silver losses.

SQC Unit of ISI was asked to fix up the permissible limits of process losses in the various departments where silver is handled and their Reports were received in November, 1973. The statutory auditors were asked in June, 1973 by the Board of Directors to investigate into this subject in detail. They had suggested various steps regarding the establishment of control points and improved documentation. The report of the Statutory Auditors were received and considered by the Board and a new silver accounting procedure was introduced from 15-11-1973. It would therefore, be seen that Management had already taken necessary action to reduce silver process losses and to control the use/recovery of silver at the control points, prior to the appointment of the High Power Committee referred to above.

Since it was difficult to determine whether the losses of silver were attributable entirely to process losses or to other sources like avoidable wastages, pilferage etc. and due to lack of valid reference standards for process losses, it was not possible to pinpoint responsibility for the losses of silver. As such, no specific charges were framed against the then Managing Director. As no disciplinary proceedings were pending or contemplated against him he was allowed to retire from service *w.e.f.* 3-11-1973.

50. The Committee note that the High Level Committee under the Chairmanship of Prof. Subramaniam, Chairman of Bharat Gold Mines, has been appointed to investigate the subject of standard process losses in silver and submit a detailed report for further investigation, whereas the Committee on Public Undertakings had recommended that the entire matter should be investigated by a High Level Committee to pinpoint the lapses on the part of the Management and all others concerned and to ascertain how far the losses of silver were consequential to normal utilisation and whether the losses were not due to other causes like avoidable wastage, pilferage etc. and to fix the responsibility for the same. The Committee are constrained to observe that the Government have not yet taken a serious view of the entire matter which involved a loss of over Rs. 1 crore from 1966-67 to 1972-73. They reiterated that the entire matter and not merely the standard process losses in silver should be thoroughly investigated by this High Level Committee

with a view to pinpoint the lapses on the part of the management and to fix the responsibility for the same.

51. The Committee are surprised to observe that when the fact of abnormal losses of silver was brought to Government's notice in June, 1973, instead of initiating high level enquiries then and there, the then Managing Director of the Company was asked to proceed on leave and later on he was allowed to resign. They are not happy at the manner in which this matter was dealt with at that time and would like the Government to examine whether in the context of the circumstances which then came to the notice of the Government it was appropriate to have allowed the Managing Directors to leave the service of the Company before holding the thorough enquiry into the matter.

52. The Committee also note that the High Powered Committee to investigate the process losses of the silver was appointed in October, 1974 but this Committee have not been able to visit the HPF so far for an on the spot investigation. They also find that there is yet no indication as to when this Committee would be submitting their report. The Committee desire that High Powered Committee should finalise their report soon and the Government should lay the report of the High Powered Committee alongwith the action taken thereon before the Parliament as soon as possible thereafter.

Consumption of Raw Materials

Recommendation Serial No. 18 (Paras 4.176 to 4.180)

53. The Committee failed to understand as to why, when the Management/Government was aware of abnormal losses no timely action was taken to introduce effective measures to arrest such losses and improve the recovery efficiency of solvents. The Committee wanted that the responsibility for failure to take timely action in the matter should be fixed.

54. The Government in their reply stated that a solvent recovery plant, was installed during 1973, and the corrective action was initiated without much loss of time.

55. The Committee do not agree that corrective action was initiated without much loss of time as the Company started incurring losses since 1968-69 whereas the solvent recovery plant was installed in 1973. Since, there was delay in taking preventive action by the management in this regard in spite of abnormal losses, the Committee would insist that the matter may be investigated by the Gov-

ernment so as to fix the responsibility for failure to take timely action.

Machine utilisation

Recommendation Serial No. 19 (Paras 4.188 to 4.189)

56. The Committee regretted to note that a consolidated statement showing the cause-wise down-time analysis for the year was not being compiled. The Management admitted that they had not compiled the data for the working of the machines on the ground that the rejections were on the high side resulting in poor utilisation of machinery.

57. The Committee stressed the importance of maintenance of records showing utilisation of machinery so that the management might be in a position to judge the efficiency of their working and take timely action.

58. The Government in their reply stated that the Management was now maintaining log sheets for each machine and the daily utilisation of machinery was being reviewed. The monthly utilisation of machines in the various Departments of production was also submitted to the Board of Directors along with the monthly balance sheet for a review.

59. The Committee hope that the data submitted to the Board of Directors for review include cause-wise down-time analysis of the working of the machines. If not, the Committee would again stress the importance of maintenance of records showing utilisation of machinery including inter alia the cause-wise down-time analysis for the working of the machines so that the management is in a position to judge the efficiency of their working and take necessary action in time.

Pricing Policy

Recommendation Serial No. 20 (Paras 5.11 and 5.12)

60. The Committee noted that the Undertaking had been selling its products at less than the cost of production during 1970-71 to 1972-73. The Committee were informed that the undertaking was then in the process of rationalising its prices with a view to recover the full cost of production.

They stressed that immediate steps be taken to rationalise the price structure of products so that the selling prices were really competitive.

61. In their reply the Government stated that the Management of the Company carefully noted the Committee's recommendations for compliance. They had reported that the whole marketing Strategy including price structure for various products was studied in depth by them and that a Sub-Committee of the Board on Merchandising had also been set up to review:—

i. Selling prices and revisions, if any, to be effected.

ii. Credit Policy.

iii. Any other matter relating to the short-term and long-term merchandising policies.

62. The Bureau of Industrial Costs & Prices, New Delhi, had also been asked by this Ministry to study the cost of production of HPF's products *vis-a-vis* the price structure. Their Report has been received and was under examination.

63. On a further enquiry of the Committee about the Sub-Committee of the Board on Merchandising and the findings of the Bureau of Industrial Costs & Prices, in regard to the cost of production of HPF's products *vis-a-vis* the price structure and action thereon by the Government|Company, the Government informed that the Sub-Committee of the Board on merchandising was set up on 30-1-74 in the 81st meeting of the Board of Directors held at Delhi. The terms of reference of the Committee were to consider and take suitable action as necessary with respect of the following:

1. Credit policy of the Company.

2. Revision in selling prices and dates to be effected.

3. Any other matter relating to the short term and long term Merchadising policies of the Company.

It was a standing sub-committee of the Board and it was meeting periodically and offering their recommendations.

The recommendations of the Sub-Committee were discussed and considered by the Board. The recommendations as far made had already been accepted and implemented. The recommendations made by the Bureau of Industrial Costs and Prices in regard to cost of products of HPF with reference to the price structure had been considered by the Government in a meeting held on 10-5-1975.

64. The Committee expect the H.P.F. would keep the recommendations of the Bureau of Industrial Costs and Prices in view and take action regarding revamping the capital structure, revision of selling prices etc.

Marking of prices

Recommendation Serial No. 23 (Para 5.51)

65. The Committee recommended that Government/Undertaking should consider marking of the prices on cartons so that the customer may be in a position to know the prescribed price and would not pay more than that.

66. In their reply (1-2-1975), the Ministry stated that the recommendation of the Committee had been carefully noted by the Company for compliance.

67. The Audit has pointed out that the recommendation has not been implemented so far (8-7-1975). The Committee regret to note that even though their recommendation was stated to have been noted for compliance, it has not been implemented so far. While expressing their unhappiness at the delay in implementation of an accepted recommendation, they would urge the Government to implement it now without any further delay.

Capital Structure

Recommendation (Serial No. 29—Para 6.13)

68. The Committee noted that the cumulative loss suffered by the undertaking till the end of 31st March, 1973 was of the order of Rs. 14.86 crores as against the paid up capital of Rs. 6.32 crores i.e. about 235 per cent of the equity capital and that there had been default in repayment of loans taken by it from the Government of India for financing its expenditure. The Committee noted from the capital structure of the undertaking that the debt equity ratio had been gradually becoming unfavourable. While the ratio was 1.45:1 on 31st March, 1969, the position on 31st March, 1973 was stated to be 2.36:1. The Committee understand that the question regarding the re-organisation of the capital structure of certain other public undertakings like Heavy Electrical (India) Ltd. and waiver of interest on loans granted on account of cash losses incurred by the undertakings are under the consideration of the Government of India. The Committee desire that a decision in this regard should be taken expeditiously. The Committee stressed that the real solution lay not so much in the reorganisation of the capital but in the full utilisation of the capacity and reduction, if not elimination, of the rejections.

69. In their reply the Government stated that the Company's proposals for waiver of interest and moratorium for a period of three years on repayment of Government Loan instalments were being actively processed. Simultaneously, the company were also

making efforts to achieve fuller utilisation of capacity and to reduce rejections.

70. On a further enquiry of the Committee about the latest position in regard to achieving full utilisation of the capacity and to reduce rejections, the Government stated that the remarks offered against Recommendation Serial No. 28 and Serial No. 16 may be referred to.

71. The Committee have given their comments in regard to rejections in Paragraph 28 of this Report. The Committee note that percentage of utilisation of capacity has increased from 48 per cent in 1972-73 to 57 per cent in 1973-74 and to 80 per cent in 1974-75. The Committee expect that HPF would continue to maintain the rate of increase in capacity utilisation and also take suitable measures to achieve 100 per cent utilisation in the current year i.e. 1975-76.

Overtime Payment

Recommendation Serial No. 39 (Para 9.20 & 9.21)

72. The Committee noted that the overtime bill of the Undertakings had shown a marked increase from Rs. 36,000 in 1968-69 to Rs. 4 lakhs in 1972-73. The percentage of overtime allowance to the total salaries and wages bill has increased from 0.73 per cent in 1968-69 to 4.24 per cent in 1971-72 and it registered a marginal fall to 3.89 per cent in the year 1972-73. The Committee recommended that management should take concerted measures to check this trend of increase in payment of overtime allowance and should ensure that payment of overtime, actually results in increased productivity.

73. The Committee desired Government|Bureau of Public Enterprises to review the expenditure on overtime allowance in the public sector to assess as to how far they have been for productive purposes and to issue suitable instructions to the Public Undertakings in this regard.

74. The Government in their reply stated that the Management of M/s. Hindustan Photo Films Mfg. Co. Ltd. had taken a number of steps to bring down expenditure on overtime allowance to the barest minimum. The Managing Director reviewed the amount of overtime paid, compares the production during the current and previous months etc. With a view to exercising effective control on overtime payments. In spite of the substantial increase in production by 22 per cent during 1973-74 over that of 1972-73, the overtime

payment during 1973-74 was only 2.92 per cent of the total salaries and wages bill as compared to 3.8 per cent in 1972-73.

75. With regard to the Committee's recommendation that Government/BPE should review the expenditure on overtime allowance in the Public Sector Undertakings to assess as to how far they had been for productive purposes and to issue suitable instructions, to the Public Enterprises, the Government stated that the BPE had collected information on the quantum of overtime allowance paid by the various public Enterprises during 1971-72, 1972-73 and 1973-74. After analysis of this data, suitable instructions would be issued to the public Enterprises.

76. In a further reply Government stated that the information on overtime allowance paid by the individual public Enterprises in respect of the years 1971-72, 1972-73 and 1973-74 was collected by the Bureau in the first half of 1974-75.

The data collected is now being analysed by the BPE. In the course of the analysis it has been found that the total amount of overtime allowance paid by 108 out of 113 public sector undertakings was Rs. 22.95 crores in 1971-72, Rs. 28.67 crores in 1972-73 and Rs. 32.12 crores in 1973-74; the remaining five public sector undertakings not having paid any overtime allowance during the three years referred to above. The analysis of the data has not yet been completed. It is expected to be done shortly, on the basis of which, necessary guidelines will be issued to the Public Enterprises.

77. The Committee reiterate their earlier recommendation that suitable instructions to the Public Enterprises, may be issued early in this regard.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 3, Paragraph Nos. 2.46 to 2.48)

The Committee note that according to Clause 16 of Art. XII of the Agreement, the Company was required to provide only clerical assistance and the auxiliary labour to help the collaborators in the installation of machinery. However, the Company undertook the actual installation of equipment and machinery at its own cost and awarded the contract to a firm in June, 1963 for Rs. 7.14 lakhs against which it incurred an expenditure of Rs. 8.26 lakhs.

According to the legal opinion obtained by the Company, about the responsibility of the collaborators in this regard, while according to one clause the collaborators appeared to be responsible for providing assistance in the construction of the plant, according to another clause, the actual installation of plant and machinery was the responsibility of collaborators. In view of the legal opinion, the Company could not recover the actual expenditure from the Collaborators.

The Committee regret to point out that this is one more instance of deficiency in the agreement, where the responsibility of the collaborators was not clearly spelt out.

Reply of Government

The observation of the Public Undertakings Committee that this was one more instance of deficiency in the agreement concluded with M/s. Bauchet & Cie of France, where the responsibility of the collaborators was not clearly spelt out, has been noted and will be borne in mind while entering into any future collaboration agreements.

[Ministry of Industry & Civil Supplies, O.M. No. 15(47)/73-CGP
Vol. IV dt. 13th January, 1975].

Recommendation (Serial No. 4, Paragraph Nos. 2.54 to 2.55)

The Committee note that the agreement with the collaborators required that the collaborators should spend as large a sum as

possible in India for purchase of equipment and machinery and to accept payment therefor in rupees. Accordingly, the Project Report provided for Rs. 20.37 lakhs for such purchases in India. As against this, the actual purchases were of the order of Rs. 7.05 lakhs only.

The Committee were informed that collaborators could not purchase equipments to the value of Rs. 3.54 lakhs in India on account of higher cost of indigenous supply, poor quality and long delivery period. The Committee feel that Government/Management should have taken advance action for the procurement of these machinery and equipment taking into consideration the lead time required, so that these could have been made available to collaborators in time and payment therefor made in rupee currency.

Reply of Government

The Management of Hindustan Photo Films Mfg. Co. Ltd. have submitted that every endeavour was made by the Company to procure such of the equipments as possible within the country consistent with quality, cost and the lead time required. As the Committee were already informed, the collaborators could not purchase equipments to the value of Rs. 3.54 lakhs within the country, on account of higher cost of the indigenous equipment, their poor quality and the long delivery period involved.

In regard to advance action, the observations of the Committee have been noted for future.

[Ministry of Industry & Civil Supplies, O.M. No. 15(47)/73-CGP
Vol. IV dt. 13th January, 1975].

Recommendation (Serial No. 5, Paragraph Nos. 2.62 and 2.63)

The Committee note that out of the plant and machinery required to be supplied by the Collaborators under the agreement it was agreed in November, 1959 that the Company could purchase items of machinery costing Rs. 66 lakhs approximately from sources other than the collaborators, if it so desired. The Company however, procured items of value of Rs. 20.5 lakhs approximately from sources other than the collaborators and decide to procure the remaining items through the collaborators on account of foreign exchange difficulties and also because the supplies from collaborators covered cost of erection and performance guarantee for one year.

The Committee find that the consolidated details of machinery and equipment purchased through the collaborators on account of

various reasons such as lack of availability of foreign exchange for direct import, lead period for indigenous supplies of materials, etc. have not been compiled by the management. It is also on record that the collaborators did not furnish the quotations received by them from the suppliers but according to the estimate made by the undertaking roughly there was a mark up of 20 per cent by the collaborators on the sub-contractors price. The Committee are not convinced that the undertaking exercised every care to ensure that the maximum equipment and machinery were procured indigenously by advance planning and that the mark up by the collaborators on the sub-contractors price was reduced to the minimum consistent with the service that the collaborators rendered. The Committee would like Government and the Undertaking to analyse the matter in greater depth in order to evolve measures to obviate recurrence of such imports through collaborators where there is an option for direct purchases being made of such equipment and machinery.

Reply of Government

The Management of HPF have accepted that the Company should have reserved the right to make direct purchases of equipment and machinery, without diluting the responsibility of the collaborators for inspection of the equipment and performance tests thereof, as conforming to accepted standards. They have further explained that as the agreement with their foreign collaborators has already come to an end, the question of the import of equipment through the collaborators does not arise now. However, the Management have been instructed to bear the recommendations of the Committee in mind in respect of future imports of machinery and equipment under any new collaboration agreement.

The recommendations of the Committee have been noted for all future arrangements, so that similar lapses do not arise in future (in respect of other Companies/Corporations under the Government). It is also proposed to bring these recommendations of the Committee to the notice of the other Central Public Sector projects through the BPE.

[Ministry of Industry & Civil Supplies O.M. No. 15(47)/73-
CGP—Vol. V dated 1-2-1975].

Recommendation (Serial No. 12, Paragraph Nos. 4.11 to 4.12)

The Committee note that the rated capacity of the different products in the plant has been increased in the modified agreement

with the collaborators except with regard to cine film positive, Flot (portrait) film where the capacities have been reduced from 2.98 million sq. metres to 2.45 million sq. meters and from 0.15 m. sq. meters to 0.10 m. sq. metres respectively. As indicated earlier in paragraph 2.23 of the Report, the original agreement with the Collaborators envisaged that during the first two years production of cine film positive only would be taken up and production of X-ray and some negative material and paper could be taken up only in the third year and full production reached in the fifth year. This programme was, however, amended in the new 1966 agreement according to which production of medical X-ray film and roll film would also be started as early as possible. The Committee find that even after the lapse of six years from the commencement of production in the case of cine films positive and 5 years in respect of medical X-ray, the actual production was much less than the rated capacity.

The Committee also find that the targets of production were fixed much lower than the capacity envisaged in the Modified Agreement. Even these targets were revised downwards twice a year from 1967-68 to 1971-72. The actual production has been less than even the reduced targets and thus much less than the rated capacity. The Committee deprecate the fixing of targets very much less than the rated capacity and revising even those reduced targets downwards. The Committee have discussed the shortfalls in production *viz-a-viz* the capacity and targets (product-wise) later in this Chapter.

Reply of Government

The recommendations of the Committee have been carefully noted. The Management of Hindustan Photo Films have assured that they are making every endeavour to attain the rated capacity of 6.15 million sq. m. per annum at the earliest possible date.

[Ministry of Industry and Civil Supplies, O.M. No. 15(47)/73-CGP-Vol-V dated the 1st Feb. 1975].

Recommendation Serial No. 21 (Paragraphs 5.27 to 5.33)

The Committee note that an Advisory Committee set up by Government in January, 1961 suggested that it would be desirable for the undertaking to set up its own sales offices at different places so that by the time the factory went into production, the distribution and service facilities could be gradually built up. Accordingly the Undertaking decided in April, 1961 that supply of cine

films should be allocated to producers, who would be able to assess the films and advise the Company on any modification. In July, 1961 the Undertaking decided that the distribution of cine film positive should be entrusted to a sales organisation for a period of three years with option to extend the arrangements for another period of two years. Accordingly, the Undertaking appointed in January, 1963, a private firm as sole stockists and agents for cine film positive upto 31st December, 1964. These arrangements were reviewed by the Board periodically and the arrangements have been extended from time to time and are now due to expire in June, 1975.

In regard to medical X-ray films the Committee find that the distribution of X-ray film was entrusted to three distributors in June/July, 1967 for a period of three years. This was extended from time to time till June, 1975.

The Committee also find that sales of photo materials was handled directly by the Undertaking in certain areas and for this purpose four Sales Offices—one each at Bombay, Calcutta, Delhi and Madras were established with a view to familiarise the public with the products of the Undertaking. The Committee note that one of the reasons justifying the continuance of the existing distribution arrangements was that marketing of these products involved maintenance of cold storage rooms, grant of credit facilities and sizable business offices manned by trained personnel which the Undertaking found difficult to set up concurrently with the existence of their production problems.

The Committee also note that the existing distribution arrangements were reviewed by the Management in October, 1971 when it was proposed that the Undertaking should take over all the distribution in phases by April, 1974.

The Committee find that the implementation of these proposals and taking up of the distribution arrangement for cine Film Positive and Medical X-ray film by the Undertaking would result in an annual saving of Rs. 40 lakhs to Rs. 42 lakhs. The Committee are surprised that in spite of these savings the Board favoured the continuance of the existing distribution arrangements till June, 1975.

The Committee were informed that the marketing organisation was not yet turned to taking up the direct distribution of finished goods. The Committee see no justification for the continuance of existing arrangements for distribution. The Committee recommend

that the management should review the present distribution arrangements and further the feasibility of taking up distribution of the product directly after the expiry of the present arrangement in 1975. The Committee note that the Corporation has sales and distribution offices at the four metropolitan cities—Bombay, Calcutta, Madras and Delhi to deal with direct sales of photo materials and also keep liaison with the public.

The Committee find that the percentage of expenditure on the maintenance of these offices to the direct sales effected by them from 1968-69 to 1972-73 ranged from 7.56 per cent to 135.16 per cent in Madras, 2.13 per cent to 56.43 per cent in Bombay, 3.20 per cent to 34.70 per cent in Calcutta and 1.88 per cent to 21.76 per cent in Delhi, although on the basis of the overall sales, percentage of expenditure on total sales ranged from 1.19 per cent to 4.2 per cent in the case of Madras, 0.50 per cent to 3.9 per cent in Bombay, 9.33 per cent to 5.7 per cent in Calcutta and in Delhi 0.37 per cent to 4.5 per cent. The Committee also note that the Undertaking is required to deal only with a limited number of customers in the case of Cine-Positive Films. The Committee recommend that the sales Offices already set up should be utilised for taking up direct sales and distribution of two products of the undertaking so as to keep the expenditure on sales overheads to the minimum.

Reply of Government

The recommendations of the Committee have been noted by the Company and will be borne in mind when the sales agreements come up for renewal.

The Management have also reported that under the export, guidance of one of their Directors, the Marketing Division has been fully reorganised and strengthened. They have also drawn up the Marketing Plan for the various products for the year 1974-75. They are making efforts to keep the sales overheads to the minimum.

[Ministry of Industry and Civil Supplies O.M. No. 15/47/73-CGP—Vol. V dated the 1st February, 1975].

Further information called for by the Committee

What specific steps have been taken by the Corporation for marketing their various products for the year 1974-75, and to keep the sales overheads to the minimum and with what results?

(Lok Sabha Secretariat O.M. No. 17-PU/74 dt. 6-5-75)

Further reply of Government

The present distribution agreements are in force upto 30-6-1975. The policy regarding mode of distribution arrangements to be persued by the Company, will be considered by the Board of Directors.

As regards minimising the sales overheads, it may be mentioned that the turnover of the Company has increased from Rs. 7.83 crores in 1973-74 to Rs. 13.81 crores in 1974-75, without much significant increase in the sales overheads expenses. The turnover will be further increased to about Rs. 22.4 crores in 1975-76, without much increase in the sales overheads.

[Ministry of Industry & Civil Supplies O.M. No. 15(47)/73-
CGP Dt. 11-6-75]

Recommendation Serial No. 22 (Paragraphs 5.49 & 5.50)

The Committee note that though the Company had the option of making direct sales of X-ray films to Government departments, no such sales were made by the Undertaking. The Committee were informed that after careful consideration of economics of such direct sales and other over riding consideration such as cost of financing etc., the Board decided to have the sales of X-ray films made through distributors only. The Committee are not convinced of the justified in this regard and feel that the payment of commission in regard to sales to Government departments is avoidable.

The Committee find that in spite of the instructions of Government, that quotations for rate contracts by DGS&D should not be through the distributors, which Undertaking has not been giving such quotations directly but routing them through distributors which ultimately result in payment of commission to the distributors. The Committee feel that, as admitted by the representative of Government during the evidence, there is no particular reason that quotations should go through the distributors. The Committee recommend that the procedure may be reviewed and quotations whenever asked for the products of the Undertaking may be given directly by the Undertaking thereby obviating the necessity of the payment of commissions to distributors.

Reply of Government

The recommendations of the Committee have been noted by the Management for compliance. In fact, they have recently revised the format of agreements with the distributors of the Company's products, to include the following clause:—

“Direct Sales to Government Departments etc.

Company reserves the right to sell the products covered under this agreement direct to all departments of the Government—Central or State, Army, Navy, Air Force and other Defence Departments and to Public and Local Administration and Public Sector Companies.”

They are taking further action accordingly, requesting all Government Departments to obtain their requirements direct from the Company.

[Ministry of Industry & Civil Supplies O.M. No. 15/47/73-
CGP Vol. V dated the 1st February, 1975]

Recommendation Serial No. 25 (Paragraph 5.62)

The Committee regret to note that the number of complaints received from the consumers has increased from 343 in 1968-69 to an all high figure of 1066 in 1972-73. The value of credit notes issued in 1972-73 alone amounted to Rs. 11.28 lakhs. The Committee also find that the number of complaints has increased particularly in the case of Bromide paper, where the number has gone up from 51 in 1968-69 to 650 in 1972-73. The Committee regret to note that in spite of the large number of complaints, the undertaking had not been making any cause-wise analysis of the complaints till 1970-71. It has been admitted that there were some lapses in the past but the present system control has definitely reduced rejections. The Committee were informed that the nature of the complaint is independently investigated in the factory. The Committee recommend that a careful analysis of the causes of Sales returns should be made so that the areas stages from where there are large rejections could be identified and suitable remedial measures taken to prevent recurrence of the same.

Reply of Government

The Management of the Company have reported that the various sales (Market) returns are analysed by them carefully and the causes for large number of complaints are being systematically identified. This analysis is being done on a regular basis for each product during each quarter, cause-wise and region-wise and remedial action is taken under advice to the Board of Directors of the Company.

[Ministry of Industry & Civil Supplies O.M. No. 15/47/73-
CGP Vol. V dated the 1st February, 1975]

Recommendation Serial No 26 (Paragraph 5.68)

The Committee regret to note that the Undertaking had to incur a loss of about Rs. 2.5 lakhs as a result of exports of Cine-Positive Films during 1969-70 to 1972-73. The Committee were informed that these exports were of an experimental nature to test the quality of products for the international market. The Committee do not appreciate the efforts of the Undertaking to export its products at a loss even as an experimental measure when it had not been able to stabilise its production in the plant, improve its quality and meet the internal demand of Cine Positive Films within the country.

Reply of Government

The recommendations of the Committee have been noted. The Company have assured that exports of their products will not be attempted in future till they have been able to stabilise the production, improve the quality and meet the internal demand.

[Ministry of Industry & Civil Supplies O.M. No. 15/47/73-
CGP Vol. V dated the 1st February, 1975]

Recommendation Serial No. 27 (Paragraphs 5.75 to 5.76)

The Committee regret to note that as on 31st March, 1973, a sum of Rs. 229 lakhs was pending realisation representing about 150 days sales. The Committee also note that in some cases, the distributors had delayed payment upto 2 months but no action

could be taken by the undertaking in the absence of a suitable provision in the agreement.

The Committee also note that while on one hand heavy amounts are outstanding from sundry debtors on the other hand the Company could not make payment to its creditors in time with the result that it had to pay penal interest to the extent of Rs. 2.34 lakhs to the Silver Refinery at Calcutta in respect of supply of silver upto September, 1970 besides making provision for liabilities to the extent of Rs. 6.85 lakhs, Rs. 10.67 lakhs and Rs. 1.39 lakhs in the account for 1970-71, 1971-72 and 1972-73. The Committee recommend that a review of the distributorship agreements should be undertaken to rectify any lacuna in the agreement, which stand in the way of realisation of dues in time so that the undertaking is not put to difficulties in honouring its commitments.

Reply of Government

The Management have intimated that they do not have any over due outstandings from their distributors now. They have pointed out that the provision in the distributors agreement calls for timely payment in accordance with the Credit Policy of the Company. The Company have further assured that they will maintain an effective follow up in the matter of collection of dues, in future.

[Ministry of Industry & Civil Supplies O.M. No. 15/47/73-
CGP Vol. V dated the 1st February, 1975]

Recommendation S. No. 28 (Paragraphs 5.91 to 5.94)

The Committee note that against the total requirement of photographic products in 1972-73, the undertaking's share in the case of cine positive is 68 per cent, Medical X-ray 54 per cent and photographic paper 22 per cent. The Committee also find that the sale of cine positive/Bromide paper including all photographic paper have not kept pace with production. It has been explained that the quality of Bromide paper produced by the Company does not quite satisfy the market requirement. In regard to Medical X-ray, the difficulty was due to larger availability of imported X-ray Films.

The Committee find that sale of cine positive and Medical X-ray are made through Distributors while other photographic products are sold partly through distributors and partly through the undertakings' own offices. The Committee regret to note that no records are maintained to give the break up of sale of Medical X-ray and Bromide paper separately to the private parties and Government departments. The Committee also find that in the

case of Cine Film Positive full commission is being paid from June, 1971 even for sales to Government Department in view of the distributors having agreed to the reduction of credit period from 90 days to 60 days.

So far as sales to Government Departments through distributors are concerned, the Committee have already made their observations elsewhere in this report. The Committee see hardly any justification for routing the sales to Government Departments through the distributors thus entailing payment of avoidable commission. The Committee would like Government to go into the matter earlier with a view to taking the conclusive action and ensure that sales to Government Departments are made directly by the Undertaking.

The Committee regret to note that because of heavy shortfall in production, Government had to import jumbo rolls for conversion into medical X-ray films and for sale within the country. While the imports during 1967-68 to 1971-72 were of the order of 3.92 lakhs sq. metres for Rs. 107 lakhs the import during 1972-73 alone accounted for 2.69 lakhs sq. metres for Rs. 82 lakhs which were almost three times the annual import in terms of quantity. This was stated to be due to production not going up in 1972-73 and production for 1969-72 remaining more or less stationery. The Committee need hardly stress that unless the undertaking steps up its production and improves the quality Government will have to go in for larger imports with an out-go of greater amount of foreign exchange.

Reply of Government

The Management of Hindustan Photo Films Mfg. Co. Ltd., have intimated that they have noted the recommendations of the Committee carefully and are taking a number of steps to step up production and improve quality. The Company are hopeful to achieve the rated capacity in the near future and to step up production during the 5th Plan period to meet the entire requirements of the country with a view to avoiding imports.

With regard to sale of their products direct to Government Departments etc, attention is invited to the replies to recommendations Nos. 21 and 22 of the Committee.

[Ministry of Industry & Civil Supplies O.M. No. 15/47/73-
CGP Vol. V dated the 1st February, 75]

Further information called for by the Committee

(a) What the present position with regard to achievement of the rated capacity?

(b) To what extent do the HPF meet the country's requirements?

[Lok Sabha Secretariat O.M. No. 17—PU/74 dt. 6-5-75]

Further reply of Government

(a) The production during the year 74-75 viz. 4.71 m.sq.m. which represents about 80 per cent of the capacity. According to the budget for 75-76, it is expected that the Company would reach the 100 per cent capacity of production viz., 6.15 million sq.ms.

(b) The Company is now meeting the entire requirements of the country with regard to Cine positive, Black and White 35mm, 16mm and Sound. The supply of Bromide paper is being shared with another indigenous manufacturer. The Company is also meeting the requirements of the Country for X-ray by supplementing HPF's production by jumbo rolls (3.40 lakhs sq.m. of HPF and 5.53 lakhs sq.m. with jumbo rolls). The Company has also taken up conversion for Colour positive, which is a new item with a considerable foreign exchange saving.

[Ministry of Industry & Civil Supplies O.M. No. 15/47/73-
CGP—Dt. 11.6.75]

Recommendation Serial No. 31 (Paragraph: 6.53 to 6.56)

The Committee note that though the undertaking went into commercial production in June, 1967, only monthly statements of costs were prepared till December, 1968. From January, 1969, the system of marginal costing was adopted by which control of cost was exercised on the main element of cost namely material which constituted 70 per cent of the costs and not on the total of production, with the result that a comparison with the cost of production in the DPR was not possible. A costing manual was issued and a revised costing system was introduced in April, 1971 so as to compile the total cost of each product under the headings labour, materials and overheads. The contention of the Management was that the post in the DPR could not be taken as guide since the manufacturing technology and product mix have been changed. The Ministry have admitted that this was not the best method of determining and regulating costs.

The Committee feel that at least the budgeted costs should have been worked out so that the management may have a yard-stick

for assessing the reasonableness of costs and to exercise control thereon.

The Committee feel perturbed to note the absence of a proper system of cost control which has in a measure contributed to the loss incurred by the undertaking.

The Committee find that standard costing system has been introduced in April, 1973. The Committee feel that now at least with the introduction of standard costing system, it should be possible for the Management to work out the cost of the products at each stage of the process, analyse the cost and bring to the notice of the top management variance analysis to enable them to take suitable corrective action in time.

***Reply of Government**

The Management of the Company have reported that they have already implemented the recommendations of the Committee with regard to the introduction of the standard costing system. Since the system has been introduced in April, 73, the Management are working out the cost of products at each stage of the process analyse the cost and bring to the notice of the top Management, variance analysis to enable them to take suitable corrective action in time.

[Ministry of Industry & Civil Supplies O.M. No. 15/47/73-Vol. V. dated the 1st February, 75].

Recommendation Serial No. 33 (Paragraph 7.5 to 7.8)

The Committee note that the Undertaking has been purchasing its requirements of proprietary items or items of particular brand direct from the manufacturers or the authorised distributors/ Agents after getting a quotation from them.

Purchases on the basis of open tenders are made only in exceptional cases after obtaining specific orders from the Managing Director.

The Committee find that in respect of major purchase orders of value exceeding Rs. 10,000 placed by the Company during the five years 1968-69 to 1972-73, none of the orders was placed on the basis

*At the time of factual verification. The Audit has pointed out that standard costs are in the beginning of each year based on previous year's actuals and variations in actual costs are analysed with reference to these costs. If that is the case it may not be correct for all such costs as standard costs which should be fixed for a particular level of production with reference to norms of consumption of different raw materials at different stages of production, norms of rejection. The labour hours required, overheads to be absorbed etc. Such costs can.

of open tenders and even non-proprietary items were purchased on single tender basis.

The Committee have pointed out in a subsequent section of this Chapter how the procedure of Single Tender has put the Undertaking to a loss.

While the Committee can see some justification for adopting this procedure of single tender directly from Manufacturers or from authorised agents in regard to specialised items with stringent specifications including imported items, the Committee fail to understand why open tenders should not be invited at least in the case of balance of items which are not of a proprietary or specialised nature. The Committee recommend that the Undertaking should follow the well recognised procedure of making purchases through open tenders in the interest of securing the most competitive rates.

Reply of Government

The recommendations of the Committee have been noted by the Company for future guidance. They have explained that while open tender is normally in the interest of securing the most competitive rates by virtue of the fact that the industry is sophisticated and special raw materials are required for the process, it may not always be possible to go in for open tenders. Further these items are either imported or have to be procured from single source of supply in the country. For example, Cellulose Tri-Acetate is manufactured only by M/s. MACC, Potassium Bromide only by M/s. Tata Chemicals, Acetate in bulk only by M/s. NOCIL; reliable supplies of cine containers only by M/s. Metal Box; accepted quality of Black Paper only by M/s. Ballarpur Paper Mills and so on, thus making it impossible to go in for open tenders. The Management have however assured that regardless of whether the open tender system is practicable in all cases, the Company will take full responsibility for making purchases at the most economical prices in conformity with the accepted quality standards and time schedule.

(Ministry of Industry & Civil Supplies O.M. No. 15/47/73-
CGP-Vol. V. dated the 1st February, 75).

be reviewed periodically whenever necessary but not necessarily every year and that also on the basis of previous year's actuals. It will not therefore be correct to state that the standard costing system has been introduced by the Company.

Recommendation

Serial No. 36 (Paragraph 8.22 and 8.23)

The Committee note that on receipt of an indication from Government that the demand for X-ray film was likely to increase to 5 million sq. metres per annum and should be met by increasing the production in public sector, the undertaking invited competitive offer from Kodak, Fuji and Agfa-Gavaert in June, 1972, for increasing the production capacity of X-ray films from 1 million to 5 million sq. metres. The Committee also note that the undertaking is also exploring the possibility of seeking the collaboration of reputed manufacturers for production of colour films and paper on reasonable terms. The Committee were informed that the Kodak and Agfa have asked for further discussion. Collaboration agreements have not been finalised and these schemes have not been included in the Fifth Plan. The Committee were assured by the Management that they are confident that with the help of their own-technicians they would be able to attain the present capacity of the plant for the production of different products and no large scale modernisation is called for. The Committee were also informed that the feasibility report of the Expansion Scheme has not been completed.

The Committee recommend that before going in for any expansion scheme it is essential that the undertaking should consolidate its position and aim at achieving full utilisation of the capacity already installed and quality production by reducing if not altogether eliminating rejections.

Reply of Government

The recommendations of the Committee have been noted by the Company for compliance. They have assured that they will make every attempt to consolidate the Company's position and to attain full utilisation of the capacity already installed in conformity with accepted quality standards at minimum rejection levels before going in for any major expansion scheme.

[Ministry of Industry & Civil Supplies O.M. No. 15/47/73-C.G.P. Vol. V dated the 1st February, 1975].

Further Information called for by the Committee

The Committee find from the Annual Report of the Company for the year 1973-74 that the Company is already going in for expansion and negotiations with a foreign manufacturer are progressing satisfactorily. But the Company has assured that they will make

every attempt to consolidate the Company's position and to attain full utilisation of the capacity already installed in conformity with accepted quality standards at minimum rejection level before going in for any major expansion scheme.

Please reconcile the two statements and indicate whether the Company has already attained full utilisation of the installed capacity.

(Lok Sabha Secretariat O.M.No. 17-PU/74 Dt. 6-5-75).

Further Reply of Government

There is no contradiction in regard to the statement made by the Company viz.

1. (a) Every attempt to consolidate the Company's position and to attain full utilisation of capacity will be made before going into any substantial expansion of the Company and (b) to negotiate for expansion with a foreign manufacturer.

As already stated, the Company will be attaining full capacity during 75-76.

Steps have already been taken and are also on hand to minimise the rejections. As regards the expansion it is necessary that we should plan in advance. The expansion proposal is mainly in respect of new items viz. introduction of polyester base X-ray film for machine processing and manufacture of graphic arts films. The expansion proposal of the Company is still to be approved by Government.

[Ministry of Industry & Civil Supplies O.M. No. 15/47/73-
CGP dated 11-6-75].

Recommendation Serial No. 38 Paragraph 9.15 to 9.16)

The Committee note that as against a strength of 714 envisaged in the D.P.R. the National Productivity Council after conducting a job evaluation and assessment of man power observed in February, 1970 that the staff strength in 1969-70 (about 1633) was sufficient for the production level of 3.5 million sq. mtrs budgeted for that year and was sufficient even for attaining the full production of 6.15 million sq. metres excepting in certain Departments like conversion, Laboratory, etc. The strength on 30th September, 1973 is stated as 1790 when the production is of the order of 3 million sq. metres.

The Committee are surprised to note that the Management in their anxiety to position men in time on a particular job obtained

sanction of the Board for creation of additional posts in anticipation of the work. The result of this has been that during the period from 1969 to 1972, the Board sanctioned number of posts very much in excess of what was envisaged in the report of the National Productivity Council. The Ministry has admitted that the procedure adopted by the Undertaking was not the right one and Boards approval should have been taken only for such posts really needed at that time. The Committee note that a sub-committee of the Board of Directors is already reviewing the requirements of man-power. The Committee recommend that H.P.F. should on the basis of the recommendation of sub-committee fix the staff strength of the various sections quickly and staff found surplus should be gainfully utilised elsewhere in the expansion programmes of the Undertaking. The Committee recommend Government/Undertaking should ensure that no additional posts are sanctioned or filled up till the process of rationalisation is completed.

Reply of Government

The recommendations of the Committee have been noted by the Company.

[Ministry of Industry & Civil Supplies O.M. No. 15/47/73—CGP Vol. V. dated the 1st February, 1975].

Further Information called for by the Committee

What are the findings of the sub-committee of the Board of Directors and what action has been taken thereon by the company:

[Lok Sabha Secretariat O.M. No. 17-PU/74 dt. 6-5-75]

Further Reply of Government

The Sub-Committee of the Board on manpower has already considered the manpower requirements of the various departments based on the detailed studies made by the Industrial Engineering Department of the Company. No additional recruitment is authorised without the approval of the Boards Sub-Committee.

[Ministry of Industry & Civil Supplies O.M. No. 15/47/73—CGP dt 11-6-1975].

Recommendation, Serial No. 40 (Paragraph 9.27)

The Committee note that the Undertaking has taken steps to re-organise the Internal Audit and that as soon as the post of Accounts Officer (Internal Audit) is filled up, the review of adequacy of systems and procedures would be taken up. The Committee need hardly stress the importance of internal audit as an essential aid to management to bring to notice in time shortcomings in the working

of the Undertaking and urge that the comments of Internal Audit should receive prompt attention and serious consideration at all levels with a view to taking necessary follow up action.

Reply of Government

The Company have intimated that the post of Accounts Officer (Internal Audit) was filled up in March, 1974. The Internal Audit Department now reviews the adequacy of systems and procedures of work, and submits a monthly report to the Managing Director for taking necessary follow up action. A quarterly report is also submitted to the Board of Directors for their information.

[Ministry of Industry & Civil Supplies O.M. No. 15/47/73—CGP
Vol. V dated the 1st February, 1975].

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

(Recommendation, Serial No. 6 Paragraph: 3.12 to 3.15)

The Committee note that the Project Estimates originally prepared in June, 1961 for Rs. 608.39 lakhs were revised by the Company first in June, 1962 for Rs. 837 lakhs and again in May, 1964 for Rs. 1164 lakhs and finally in February, 1971 for 1170 lakhs. The actual expenditure on the project for Rs. 1167 lakhs was approved by Government on 2nd January, 1973 and the project estimates closed. Thus the cost of the Project has gone up by 91.8 per cent over the original estimates and the foreign exchange content included in the project cost increased from 385 lakhs to 475 lakhs.

2. According to the Management the delay in completion of the project and the long gestation period had contributed to the increase in cost besides addition of certain new schemes and additional components.

3. It has been admitted during evidence that the effect of increase in the project cost on the economics of the project was not assessed while approving the final revised estimates.

4. The Committee take a serious view that in spite of their repeated recommendations in several of their Reports particularly in paragraphs 1.7 and 1.9 of the Fiftieth Report of the Public Accounts Committee (Fourth Lok Sabha) on New Services and New Instruments of Service and reiterated in paragraphs 2.20 of the Thirty-ninth Report of C. P. U. (1972-73) on Pyrates, Phosphates and Chemicals Ltd., that the economics of the Project on account of revision of cost should be examined and new schemes etc., introduced should be specifically brought to the notice of Parliament, Government have neither considered the economics of the Project on account of revision of estimates nor brought such additions on account of new schemes specifically to the notice of the Parliament.

5. The Committee reiterate their Recommendations in this regard and would like Government to bring the matter alongwith the finan-

cial implication thereof specifically to the notice of Parliament without further delay.

Reply of Government

The following table indicates the estimates of cost as per the detailed Project Report and as revised by the Company from time to time along with the actual expenditure incurred upto the 31st March, 1972:—

(Rs. in lakhs)

Particulars	Cost as per Project Report (June'61)	Revised cost as per June, 1962 estimates (appld. by Govt. on 18-8-62)	Revised cost as per July, 1964 estimates (appld. by Govt. in June/Sept. 1967)	Revised cost as per March, 1971 estimates	Actual expenditure as on 31st March, 1972, and appld. by Govt. on 2-1-73
1	2	3	4	5	6
1. Plant and equipment	353.87	365.50	512.02	519.06	511.52
2. Land and Buildings	113.15	176.00	182.61	178.83	178.20
3. Local Services	51.37	77.45	128.03	141.94	146.49
4. Administrative expenses		12.85	94.72	96.54	96.54
5. Training Expenses		6.00	6.45	5.58	5.58
6. Start up and training cost		10.00	16.45	15.00	15.00
7. Interest payable to collaborators	90.00	90.00	79.95	82.17	82.17
8. Interest on Loan Capital		..	26.70	26.70	26.70
9. Township		100.00	100.00	85.70	86.27
10. New Schemes	..	..	17.48	18.71	18.71
TOTAL	608.39	837.80	1164.41	1170.23	1167.18

2. The Project Estimates of Rs. 608.39 lakhs was prepared by the Company in June, 1961 on the basis of the D.P.R. submitted by their foreign collaborators viz; M/s. Bauchet and Cie of France. In June, 1962 these estimates were revised by the Company as the estimates prepared in June, 1961, covered only certain basic units relating to production and ancillary services and did not include

the cost of certain facilities required to be provided at the factory such as facilities for the maintenance of trucks residential accommodation of foreign technicians and production facilities for the manufacture of packing materials etc. The Revised Estimates of Rs. 837.80 lakhs submitted by the Company in June, 1962, were approved by Government on 18th August, 1962. While approving these Revised Estimates, it was mentioned in the approval letter dated 18th August, 1962 that the Company would, no doubt, work out the final estimates in the light of their experience and on the basis of the firm orders and contracts to be entered into and obtain further approval of the Government wherever necessary, e.g., when individual item of expenditure exceed the limit of the powers of the Board of Directors. As per this advice and based on the contracts for all the plant and equipment and the buildings etc. concluded by them, the Company had prepared Revised Estimates in July, 1964 at Rs. 1103.99 lakhs. The assumption that time was that production would commence from 1-4-1965. But due to certain unavoidable reasons such as defects in the base casting drums, the commencement of production was further delayed and in the meantime, administrative expenses, interest on capital loans which fell due upto the date of production had all to be charged to the Project Estimates. The devaluation of the Rupee which came into effect in 1968 also affected the estimates prepared in July 1964. The question therefore, of further revision of the Project Estimates upwards from Rs. 1103.99 lakhs was discussed by a High Level Committee under the Chairmanship of Shri R. C. Dutt with the officials of the Company during August, 1966. The High Level Committee submitted its Report to the BPE and on that basis the Project cost was revised from Rs. 1103.99 lakhs to Rs. 1169.41 lakhs and was approved by Government in June, 1967. As discussions regarding the revision of the Project cost took place in August, 1966, it may be taken that the RPE of Rs. 1169.41 lakhs was made in August 1966. On the basis of the decision taken to delete the provision of Rs. 5 lakhs included in the RPE of Rs. 1169.41 lakhs for the Sales Office in Madras, Government issued a revised sanction in September, 1967 approving the RPE at Rs. 1164.41 lakhs. The main increases in the RPE of Rs. 1164.41 lakhs approved in September 1967 over the Project Estimates of Rs. 837.80 lakhs approved in August, 1962, fall under the following three broad heads:—

(a) Increase for Customs Duty Devaluation etc. (Rs. 115.86 lakhs).

Consequent on the change in the rates of customs duty the cost of plant and machinery had increased by about Rs. 25 lakhs. The

devaluation of the Rupee with effect from 6-6-1966 had resulted in an increase of Rs. 90.86 lakhs. These increases were unavoidable.

(b) Increase in Administrative Expenditure: (Rs. 81.87 lakhs)

While examining Revised Project Estimates, it was found that there was steep increase under this head. The project had earlier been scheduled to go into production in the earlier part of 1963. The construction period, however, dragged on and production actually commenced in December, 1966. M/s. Hindustan Photo Films Mfg. Company Ltd., had explained that actual construction of the factory stances in which this inordinate delay took place did not appear to civil engineering works due to the need to redesign Block II and other connected problems beyond their control. As the circumstances in which this inordinate delay took place did not appear to be convincing it was decided that a report should be called for from the Managing Director of the Company with a view to deciding whether the delay could have been avoided and with a view to fixing the responsibility in the matter. Accordingly, a report was received from the Managing Director in which he had explained that various factors such as the difficult working conditions in Ootacamund and the difficulty in transportation of the equipment from the plains, the limited working seasons as a result of the monsoon and weather conditions for most part of the year, lack of experience both on the part of HPF and their collaborators, delay in the installation and trial runs of machinery, delay in competition of performance tests in the various sections of the plants etc., contribution to the delay in the commencement of production. On the basis of the report received from the Managing Director, it was decided that as the delay had occurred due to the circumstances beyond the control of the management of the Company, it was hardly possible to clearly fix any responsibility in the matter.

(c) Increase due to other reasons: Rs. 129.93 lakhs

The major increase under this head relates to local services amounting to Rs. 50.58 lakhs. It was explained by the Management that his increase was due to the fact that the earlier estimates were based on indications given by the foreign collaborators without preparing detailed estimates. The provisions also included additional requirements for salaries of French Technicians amounting to Rs. 16.30 lakhs caused by delay in the construction of the plant and further interest on Government loans during the construction period amounting to Rs. 26.70 lakhs which had not been included in the earlier estimates approved in August, 1962. It also included estimates for

certain additional items such as Silver Recovery Plant (Rs. 12.10 lakhs) Pilot coating machine and Pilot base casting plant (Rs. 10.87 lakhs) and Organic Laboratory (Rs. 5 lakhs) which had not been originally proposed by the French specialists but were considered to be essential and necessary later on. These requirements were also found to be unavoidable and had to be accepted. The provision of Rs. 5 lakhs intended for the Sales Office in Madras under this head was however deleted while the RPE was approved in September, 1967 at Rs. 1164.41 lakhs. The total increase on account of the provision for New Schemes/Additional equipment amounted to Rs. 32.75 lakhs.

3. As explained above, when the RPE of Rs. 1164.41 lakhs was approved by Government in September, 1967, it was done after the RPE was subjected to a close scrutiny by the High Level Committee of Shri R. C. Dutt which discussed the increase in cost item by item with the officials of the Company and thereafter submitted a detailed report to the BPE. Also the BPE approved in September, 1967 included a provision of Rs. 32.75 lakhs only for new schemes/additional equipments.

4. The Company again submitted Revised Project Estimates of Rs. 117.23 lakhs in March, 1971 but Government had approved of the Revised Project Estimates only on the basis of the actual expenditure of Rs. 1167.18 lakhs incurred by the Company upto 31st March, 1972. These excess of Rs. 2.77 lakhs over the earlier estimates of Rs. 1164.41 lakhs was to be utilised for making a payment of Rs. 2.22 lakhs wholly on account of "Interest payable to Bauchet" which inadvertently was not provided for in the earlier Estimates and the balance amount of Rs. 0.55 lakhs was to be utilised to meet small excess over estimated cost while executing the various works.

5. The Company have explained that for the purpose of working out the economics of production while submitting their Revised Project Estimates in 1966, they broadly followed the basis adopted by the collaborators in the DPR. The interest was worked out on the total capital employed including the working capital. Interest on capital loans was taken on an average of Rs. 26 lakhs per annum taking into account the repayment expected to be made from time to time. Interest on working capital was taken at Rs. 70 lakhs per annum assuming that the total working capital employed would be on an average of Rs. 1000 per annum. The economics of the Project was

also worked out by the Company on several occasions subsequent to August 1966 i.e., in August, 1968, March, 1970 and November, 1970 and put up to the Board of Directors of the Company at their 49th, 59th and 64th meeting although these were not communicated to Government. Also, while submitting their BPE, the Management had worked out in August, 1966 their estimates of profitability on the basis of the Revised Project Estimate and by keeping their selling price within the market price charged for competitors' products then. They hoped that in 1969-70, when their production would reach the rated capacity of 6.15 million sq. m. their profits would be of the order of Rs. 3.55 crores. These estimates of profitability were also scrutinised by the Ministry and the Ministry of Finance (BPE) and accepted.

6. In the light of the facts set out above, it would be seen that the Revised Project Estimates of the Company were examined by the Government, when Government had considered all the relevant issues as then known, including the economics of the project on account of the revision of the estimates, in detail. However, during evidence before the Committee on Public Undertakings it was inadvertently stated that the effect of increase in the project cost on the economics of the project was not assessed while approving the final Revised Estimates. As stated earlier, the new schemes included in the Revised Project Estimates were all of a value of about Rs. 33 lakhs only. The assessment was made on the basis of the facts as then known, and forecasts of output and profitability as then made by the Company, which had forecast a profit of nearly Rs. 3.55 crores in 1969-70

7. With reference to the recommendation of the Committee that the economics of the Project on account of revision of cost should be examined and New Schemes etc., introduced should be specifically brought to the notice of Parliament, it may be submitted that as and when the Company approached Government, seeking release of funds for implementing the various capital works included in the BPE, these proposals were examined and provisions in the Budget estimates for the particular year were made with the approval of Parliament, as the Budget Estimates of the Ministry are always submitted to Parliament.

[Ministry of Industry and Civil Supplies O.M. No. 44(55)/64-
CGP Vol. II dated the 23rd May, 1975].

Further information called for by the Committee

(a) While conveying approval of the cost of the project estimated at Rs. 837.80 lakhs on 18th August, 1962, the Project Estimates were approved only in principle and the Company were asked to work out the final estimates in the light of their experience and on the basis of the firm orders and contracts to be entered into. The Management were also advised to obtain further approval of Government wherever necessary.

Please State:—

Was any sanction to incur expenditure given to the Company in the meantime? If so, when? if not, the reasons therefor?

(b) The Company revised their estimates in July, 1964 to Rs. 1103.99 lakhs. These estimates were further revised later to Rs. 1164.41 lakhs. The Government approved these estimates in September, 1967.

Please state—

(i) Why was there a delay of two years in approving the estimates, at this stage?

(ii) When were the estimates further revised to Rs. 1164.41 lakhs?

(c) Various factors have been given for the delay in the commencement of production in HPF.

Please state—

How far the delay is due to collaborators and what action has been taken thereon by the Company?

(d) It has been stated that increase of Rs. 129.93 lakhs was due to other reasons.

Please state—

What are these reasons? Please give break up of each one of them.

(e) The total of excesses together with the originally revised es-

timates of Rs. 837.80 comes to Rs. 1168.23 lakhs as per details given below:—

Revised Estimates	837.80
Increase on account of customs duty, cost of plant and Machinery etc.	115.86
Increase in Administrative expenditure	81.87
Increase due to other reasons	129.93
<i>Further excesses:</i>	
Due to payment of interest to Bauchet	2.22
Small excess over estimates	0.55
Total:	1168.23

Please explain for this *ad hoc* excess from time to time for one reason or the other. Could these not be anticipated before the Revised estimates were prepared.

[Lok Sabha Secretariat O.M. No. 17-PU/74 dated 11th February 1975]

Further Reply of Government

(a) Based on the Budget Estimates prepared by the Company year after year, Government was communicating the sanctions for expenditure and also arranging for the release of funds to the Company each year. In this connection, it was, however, ensured that whatever items formed part of the budget estimates of the Company were duly included in the Revised Project Estimates.

(b) (i) Lot of discussions took place between the Company's executives and officials of the Ministry of Industry and Ministry of Finance, apart from exchange of correspondence during the whole of the year 1965. In July, 1966, Government appointed a high level Committee from Bureau of Public Enterprises with Shri R. C. Dutt, as the Chairman to go into the details of the project estimates and submit their report. The High Level Committee visited the Company during August, 1966 and had detailed discussions with the Company's officials and examined in depth each item of the Revised Project Estimate. Subsequent to the above visit of the high level Committee, the Ministry of Industry and the Ministry of Finance asked for certain clarifications/additional information from the Company and these were furnished to the Government during the months

of November, 1966 and February, 1967. On this basis, the Government sanctioned the Revised Project Estimates of the Company at Rs. 1169.41 lakhs in the month of June, 1967. However, on certain reconsiderations in regard to the provision for sales office included in the Revised Project Estimate, the Government reduced the estimated cost from Rs. 1169.41 lakhs to Rs. 1164.41 lakhs and issued a revised sanction for Rs. 1164.41 lakhs in the month of September, 1967.

(b) (ii) In view of the answer given to b(i) above, it may be taken that the revision of the estimates to Rs. 1164.41 lakhs was done during August, 1966, when the high level committee of the Bureau of Public Enterprises visited the factory.

(c) The Board of Management of the Company studied at length the possibility of fixing the responsibility on the collaborators for their lapses. They, however, found that since the responsibility of the Company and the Collaborators had overlapped at several points, it was neither easy nor tenable to apportion the delay in the discharge of the various obligations under the agreement between the two parties. Hence it was decided by the Management to drop action against the collaborators for the delay in start up of production.

(d) The reasons for the increase of Rs. 129.93 lakhs have been furnished in para 2(c) of the reply given by the Government to Recommendation No. 6 of the Committee on Public Undertakings.

(e) While conveying the approval of the cost of the project estimated at Rs. 837.80 lakhs on 18th August, 1962 it was made clear that the Company should work out the final estimates in the light of their experience and on the basis of firm orders and contracts to be entered into and that the Management could obtain further approval of the Government wherever necessary. Accordingly, in the year 1964 based on the contracts for all Plant and Equipment and the buildings etc., a revised project estimate for Rs. 1103.99 lakhs was prepared by the Company and sent to the Government. This was on the assumption that production would start from 1st April, 1965. But due to certain unavoidable reasons like defects in the base casting drums etc. the commencement of production was further delayed. In the meantime, the administrative expenses, interest on capital loans which fell due upto the date of production had all to be charged to the project estimate. The devaluation of the rupee currency which came into effect in the year 1966 also affected the revised project estimate and the company had to make an additional provi-

sion of Rs. 88.18 lakhs in their subsequent revision of the project estimate. Since statutory levies like increase in customs duties, devaluation of rupee currency etc. and also the delay in start-up of production due to various reasons could not be anticipated, no provision was made for these items in the Revised Project estimate submitted by the Company in the month of July, 1964.

[Ministry of Industry & Civil Supplies O.M. No. 44(55)/64-CGP. Vol. II dated 23rd May, 1975].

Recommendation (Serial No. 8 (Paragraphs 3.42 to 3.46))

The Committee note that one of the reasons which contributed to the delay in completion of the project was increase in the area of factory building.

In terms of the agreement, the Company was required to undertake the construction and completion of civil buildings on the basis of area indication, lay-out and style of construction indicated in the preliminary data furnished by collaborators.

The Committee note that against the area of 14,100 sq. m. for the construction of factory building at an estimated cost of Rs. 41 lakhs indicated by the Collaborators in November, 1959, the detailed drawings furnished by them in June, 1961 were for 35,161 sq. m. for Rs. 148 lakhs involving substantial changes in respect of area, lay-out and style of construction. The actual expenditure was, however, Rs. 178 lakhs.

The Committee note that the changes necessitated not only extension of time schedule of carrying out of civil works but also the etaggering of the target dates for completion of different buildings.

The Committee are convinced that had the Collaborators correctly assessed the requirement of the Project initially and in time, much of the delay in the construction of the project could have been avoided.

The Management concerned that, had the Company established a strong project team right from the beginning of the project, this situation would not have arisen. The Committee can see no valid reason for failure of Government/Company to see that there was in position a strong team of management to handle a sophisticated project of this dimension. The Committee would like Government to ensure that such a lapse does not recur.

Reply of Government

The responsibility of a Project Team is for initiation of the Project, placement of orders for both imported and indigenous plant and equipment, construction of the factory, installation of the plant and equipment and commencement of pilot production. As had already been submitted to the Public Undertakings Committee, there was not a strong Project Team earlier. The Management have now reported that they have made substantial progress in the establishment of a strong Project Team and the Divisional Managers of the Company in charge of the various divisions as Base Casting, Coating, Emulsion and Conversion etc. are now making every endeavour to achieve the installed capacity within the minimum possible time.

The observations of the Committee have been noted for future.

[Ministry of Industry and Civil Supplies, O.M. No. 15(47)/73
CGP-Vol. IV dated 13th January, 1975.]

Recommendation Serial No. 9 (Paragraphs 3.51 and 3.52)

The Committee note that against the stipulated date of 17th April, 1961 for supply of basic plans, the collaborators submitted the basic plans for the factory buildings only in June, 1961 and these were also found to be incomplete necessitating frequent changes and modifications. As a result, construction of the factory buildings could commence only in April, 1962 by which date the erection of the machinery in these buildings should have actually commenced as per the schedule. The buildings were actually completed in August, 1965.

During construction, a decision was taken to redesign the building eliminating pile foundation because of difficulties in pile driving and this necessitated changes in the drawings already supplied by the collaborators. While changes in the drawings already supplied by the collaborators were called for, the Company was not in a position to categorically say that this contributed to a delay in the construction of the buildings. The work on the building started in April, 1963 and the two main buildings were finally ready in January, 1965 and July, 1965 respectively.

The Committee are unhappy to find that because of technical difficulties the Management could not fix responsibility on the collaborators for the delay in supply of drawings which ultimately led to the delay in the completion of the project.

Reply of Government

It has already been explained earlier that the delays occurred mainly because of the uniqueness of the project located in a remote hill area. The lack of technical and managerial competence at that time also contributed to the delays. In view of the frequent discussions which had to take place from time to time between HPF and their foreign collaborators, resulting in modifications in the plans, it was not possible for the Management to attribute any part of the delay on the collaborators alone.

[Ministry of Industry and Civil Supplies O.M. No. 15(47)/73-CGP-Vol. V dated the 1st February, 1975].

Recommendation Serial No. 11 (Paragraph 3.61)

The Committee are perturbed to find that even though the tender of M/s. National Building Construction Corporation, a public sector undertaking was lower than that of another private firm, the offer of M/s. N.B.C.C. the public sector undertaking was rejected on the ground that they do not have an organisation at site and require a few months to get acquainted with the same. The Committee would like to point out that the private firm to whom the contract was entrusted delayed completion of the work by as much as 18 months. The Committee understand that the building in question was a simple construction and therefore the management of Hindustan Photo-Films should have been given preference to the National Buildings Construction Corporation, a sister public undertaking.

In the opinion of the Committee the plea of the Company that since National Buildings Construction Corporation wanted a few months to set up a site office and get acquainted with the area and therefore the work was not awarded to them, does not seem to be tenable in the face of the delay of 18 months by the private firm in completing the work. The Committee also see no justification why penalty was not levied on the private contractor who delayed the completion of the building by as much as 18 months. The Committee would like Government/undertaking to fully investigate the matter in order to fix responsibility as to why the work was not given to a public sector undertaking when their quotation was the lowest and secondly why penalty was not imposed on the private contractor who was given work in preference for delay of as much as 18 months in completion of the building.

The Committee would also like Government/Bureau of public enterprises to issue general direction to the public undertakings that ordinarily there should be no question of rejecting the offer of another public undertaking specially when its rates are the lowest or

most competitive and that before the work is entrusted in preference to any private body or organisation, detailed reasons therefor should be recorded and reviewed by the Management to obviate recurrence of lapses noticed in the present case.

Reply of Government

Government agree that the non acceptance by the HPF of the tender of M/s. National Building Construction Corporation Ltd. is unjustified, and the reason cited, namely, that they had no organisation at site and would take a couple of months to get acquainted with the same, is not adequate justification for not awarding the work to NBCC. However, the HPF were anxious to complete the project early, and it is for this reason that they did not award the contract to NBCC. Before awarding the contract to the private party in preference to NBCC, the Board of Directors had at their 14th Meeting held on 6th March, 1963, considered all the aspects of the case. The Company had also made a detailed investigation regarding the delay in the completion of the building by the private contractor and came to the conclusion that there had been lapses on both sides i.e. on the side of HPF as well as on the part of the private contractor and that M/s. Mckenzie's (the private contractor) were not wholly and singly responsible for the delay in the construction of the building. This explains why no penalty could be imposed on the private contractor.

As per the recommendations of the Committee that Government should issue general directions to Public Undertakings (that ordinarily there should be no question of rejecting the offer of another Public Undertaking specially when its rates are the lowest) the Bureau of Public Enterprises have issued suitable instructions on the 5th August, 1974. A copy of these instructions dated the 5th August, 1974, is enclosed. (Appendix-I).

[Ministry of Industry and Civil Supplies, O.M. No. 15(47)/73-CGP. Vol. V dated the 1st February, 1975].

Recommendation Serial No. 14 (Paragraph: 4.35 to 4.36)

The Committee find that according to the Management one of the reasons for shortfall in production was that the design of the Plant and equipment was made by the collaborators, who were not familiar with the technology.

The plant and machinery were subject to series of improvisations by collaborators and did not incorporate a set process. The Committee also noted that the agreement with the collaborator stipu-

lated that the collaborators should provide for after sales service at the cost of the company, to give advice and to suggest remedial measures, for repair of any defects. The undertaking categorically invoked these provisions during 1969-71 to get the technical problems resolved by the Collaborators. However, three technical problems, viz. Remelting of emulsion and gelatine layers, dark coating lines, appearance of discontinuous white lines in cine films positive and appearance of black print in x-ray sheets which were ultimately responsible for rejections could not be resolved by the Collaborators.

The Committee were informed that these problems were subsequently solved by the technicians of the Undertaking in 1973. According to the Management, the existence of technical problems in the plant resulted in shortfall in production from the time of taking over the plant from the collaborators in October, 1968 till March, 1973. These problems were further aggravated by the absence of systems control in the manufacturing operations. The Committee feel that the problems have not been tackled with a sense of urgency they deserved with the result that there was persistent loss in production.

Reply of Government

The Management of Hindustan Photo Films Mfg. Co. Ltd. have submitted that they have been making their efforts to tackle the problems faced by the Company with a sense of urgency so as to avoid the persistent loss in production. They have explained that the production of sensitized photographic materials is a highly complicated process and the problems arise due to several reasons such as lack of cleanliness, atmospheric pollution or contamination in the raw materials etc. They have further brought out that even reputed foreign manufacturers of photographic materials with more than 100 years of experience have during their recent visit to HPF's plant complimented HPF for having tackled most of the difficult problems in this industry in a comparatively short period.

Every effort is being made to improve the working of the company on a continuing basis.

[Ministry of Industry and Civil Supplies O.M. No. 15(47)/
73-CGP Vol. IV dated 13th January, 1973].

Recommendation Serial No. 24 (Paragraph: 5.54)

The Committee were given to understand that the Board of Directors decided to increase the price of Cine-Positive Films with effect

from 1st February, 1973 but allowed extension of time limits for sale to consumers at the old prices till 25th March, 1973 for disposal of the existing stocks of Cine-Positive Films. The Committee were informed that the Board adopted this market strategy after taking cognizance of large inventory which had considerable effect on the cash flow position of the undertaking at that time and also doubtful quality of substantial portion of the stock.

The Committee were assured that the benefit of extending the time limit was intended to be passed on to the consumers and not to the distributors alone and this was actually so. The Committee are not sure whether this strategy achieved the desired results as envisaged by the Board of Directors and the consumers were not adversely affected by the increase in prices. The Committee would like that this matter may be gone into depth so as to verify that the procedure has not given any undue benefit to the distributors resulting in payment of higher prices by consumers.

Reply of Government

The Management have reported that they have gone into the matter in depth and have confirmed that the procedure adopted by them has not given any undue benefit to the distributors and that the benefit of lower price was actually passed on to the consumers.

[Ministry of Industry and Civil Supplies O.M. No. 15/47/
73-CGP Vol. V dated the 1st February, 1975].

Recommendation Serial No. 30 (Paragraphs 6.33 to 6.38)

The Committee regret to note that the undertaking has been incurring losses right from inception and the loss has increased from Rs. 204.42 lakhs in 1968-69 to Rs. 297.34 lakhs in 1972-73; the cumulative loss as on 31st March, 1973 was Rs. 14.86 crores against the paid up capital of Rs. 6.32 crores i.e. about 235 per cent of the equity capital.

The Committee find that low utilisation of capacity, erratic production both qualitatively and quantitatively, excessive rejections, excess of scrap, excess consumption of materials, low recovery of silver and solvents have mainly contributed to the loss. Besides the loss on account of silver to the extent of Rs. 22 lakhs in 1971-72, the contribution made by the products to the total loss in 1971-72 was to the extent of Rs. 154 lakh by cine film positive, Rs. 85 lakhs by medical X-ray film and a small profit of Rs. 7.5 lakhs by bromide paper. The contribution towards loss, during 1972-73 was about 119 lakhs under Cine Film, Rs. 81 lakhs under Medical X-ray and Rs. 6

lakhs on account of Bromide paper, and the loss on account of silver was to the extent of Rs. 38 lakhs.

The Committee find that while the value of production in all the years fully covered the cost of direct materials and direct wages excepting 1968-69 the extent of coverage of other expenditure varied from year to year. It is surprising that though Government and Management were in the know of losses no effective action has been taken to arrest the losses. It has been admitted by the representatives of the Ministry that it is only with efficient and better management that the losses could be reduced.

The Committee note that the DPR did not contain the profitability analysis. In September, 1966, the Company prepared a tentative forecast which was revised in August, 1968. In the light of problems encountered, another revised forecast was prepared in for 7 years from 1969-70 to 1975-76 which was updated in November, 1970. The actual performance of the Company during 1968-70 to 1972-73 did not, however, come upto the level expected in these forecasts.

The Committee were informed that the Management has since initiated certain measures to improve the working of the undertakings like maximum utilisation of capacity, Jumbo Roll conversion programme for X-ray films, roll films and colour films, reduction in scrap levels, additional control facilities, adoption of realistic pricing policy and adoption of suitable industrial relations.

The Committee feel that unless concerted measures are taken to step up quality production by reducing rejections, economising in consumption of materials adopting cost reduction methods and rationalising its programmes of production and distribution consistent with market demands, the financial viabilities would seem to be far remote thus entailing greater volume of imports coupled with increased outgo of foreign exchange.

Reply of Government

The Management of the Company have intimated that they have carefully noted these observations of the Committee and are taking concerted measures in various directions as outlined by the Committee to make the Company economically viable.

[Ministry of Industry and Civil Supplies O.M. No. 15/47/
73-CGP Vol. V dated the 1st February, 1975].

Further information called for by the Committee

What positive steps were taken by the Government to make the Company economically viable?

[Lok Sabha Secretariat O.M. No. 17-PU/74 dated 6-5-75].

Further Reply of Government

1. The Company will reach the full capacity production 6.15 million sq. ms. during the current year 75-76.

2. The reorganisation of capital structure by converting loans to the extent of Rs. 10 crores into equity capital is under consideration. This would mean reduction of about Rs. 85 lakhs in the interest payable by the Company.

The excise duty levied on the main raw material, viz., Cellulose triacetate has been abolished effective from 1-6-75. The Company has programmed to continue the jumbo roll conversion programme of X-ray, Cine colour and also roll films with a view to augment the utilisation of capacity and to increase the profitability. The question of increasing the customs duty on the import of furnished colour film so that the price of the colour film processed by HPF from imported jumbos could also be suitably revised as recommended by Bureau of Industrial Cost and Prices is under the consideration of the Government. The Processing of Polyester base X-ray film by HPF is in the final stage and when it is finalised this will help the Company to reduce the losses. An agreement has been entered into with M/s. Du Pont for increasing the production of X-ray film and reducing its rejections.

[Ministry of Industry and Civil Supplies O.M. No. 15(47)/73-CGP dated 11-6-75].

Recommendation Serial No. 32 (Paragraph 6.61)

The Committee note that according to the terms of agreement with the collaborators customs duty for any unusual tools, instruments etc. specially procured for erection and brought to the site by the collaborators would be paid by the undertaking. The duty would be refunded if the tools and equipments were re-exported by the collaborators within a specific time. The Committee regret to note that the undertaking has to incur a loss of Rs. 51,565 as it could not claim refund of custom duty in the absence of details of re-export of tools and equipment by the collaborators. The Undertaking had conceded the lapse on their part for not keeping the details. The Committee recommend that Government/Undertaking

should fix responsibility for the lapse with a view to taking departmental action.

Reply of Government

M/s. Hindustan Photo Films Mfg. Company Ltd., could not claim refund of Customs Duty amounting to Rs. 51,565 in the absence of details of re-export of tools and equipment by their collaborators. The matter was considered by the Board of Directors of the Company at its meeting held on 19th June, 1969 and the Board approved of the write-off of Rs. 12,707/-. The balance amount of Rs. 38,858 was also similarly written off in the annual accounts for the year ending March 31, 1971. As the decision to write off the amount was taken by the Board it will be difficult at this point of time to fix responsibility on any individual of the Company.

[Ministry of Industry and Civil Supplies O.M. No. 15(47)/73-CGP Vol. V dated 1st February, 1975].

Further Information called for by the Committee

Agenda and Minutes of the Meeting of the Board of Directors of the Company held on 19th June, 1969 may please be furnished.

[Lok Sabha Secretariat O.M. No. 17-PU/74 dated 6-5-75].

Further Reply of Government

The Memoranda and the Minutes of the 55th meeting of Board of Directors held at Madras is 19-6-1969 is enclosed. (APPENDIX II)

[Ministry of Industry and Civil Supplies O.M. No. 15(47)/73-CGP dated 11-6-75].

Recommendation Serial No. 34 (Paragraphs 7.19 to 7.23)

The Committee note that the Undertaking placed an order in February, 1967 for purchase of 97.83 M. Tons of Methylene Chloride at a higher price of US \$ 0.1508 per lb. FOB, New York on a single tender basis although within two months of the same order it got a lower offer from another firm at the rate of US \$ 0.0985 per lb FAS, New York after invitation of tenders. Even after receipt of this lower offer and when the former company agreed to reduce its rate to \$ 0.13 per lb FAS, New York, the undertaking did not make any attempt to secure any reduction in price.

The Committee were informed that this was on account of the anxiety of the undertaking to buy the material from the collabora-

tors of Mettur Chemicals who were setting up a manufacturing plant in India. It has been admitted by the Ministry that Government were not satisfied with the justification given by the management who should have invited open tenders before placing order.

The Committee regret to observe that because of non-invitation of tenders in the first instance and placing the order on a single tender basis, the undertaking had to incur an extra expenditure of Rs. 84,599 on the purchase of 97.83 M. Tons.

The Committee also find that the Undertaking had been taking its requirement of Methylene Chloride from Mettur Chemicals from September, 1967. The Committee find that even in 1973 against the requirement of 2000 tons of materials from January to December, 1973 the Mettur Chemicals could supply only 1048 tons i.e., about 50 per cent of the requirement with the result there had been under-utilisation of the capacity of the plant, reduced output and consequent losses to the undertaking.

The Committee do not appreciate the hasty action of the Management in having placed an order on the basis of a single tender at a higher rate first on the collaborators on an Indian firm and thereafter switching over to the Indian firm who on account of its failure to meet the demand of the Undertaking in full had put the undertaking to further losses.

Reply of Government

As had already been submitted to the Public Undertakings Committee, HPF were anxious to buy Methylene Chloride from the Collaborators of Mettur Chemicals who were setting up a manufacturing plant in India with a view to maintaining cordial business relations with the party who were likely to be the major suppliers in the future, in terms of Government policy of import substitution. The Management have now submitted that they have noted the Public Undertakings Committees recommendation in this behalf and have assured that such hasty action and failures would be strictly avoided in future.

[Ministry of Industry and Civil Supplies, O.M. No. 15(47)/73-
CGP-Vol. IV, dated 13th January, 1975].

Recommendation Serial No. 35 (Paragraphs 7.42 to 7.48)

The Committee find that the stock of raw materials has increased from Rs. 140.35 lakhs representing 8.8 months consumption at the end

of 1968-69 to Rs. 268.68 lakhs representing 9.8 months consumption at the end of 1971-72. The stock has however, come down to Rs. 176.40 lakhs representing 3.9 months' consumption at the end of 1972-73.

In regard to finished stock, the value of finished stock has increased from Rs. 30.50 lakhs representing 1.6 months' sales at the end of 1968-69 to Rs. 197 lakhs at the end of 1972-73 representing 3.9 months' sales.

The Committee find that the 'Fourth Committee on Inventory Control' appointed by Government of India, which examined the inventory holdings of the Undertaking had found that the Undertaking had been carrying stock of raw materials in excess of norms by Rs. 191 lakhs, Rs. 198.47 lakhs and Rs. 243.50 lakhs at the end of 31st March, 1970, 31st March, 1971 and 31st March, 1972 respectively. The excess has, however, come down to Rs. 156 lakhs on 31st March, 1973.

The Committee are informed that the Management are already taking steps to implement the recommendations of the Inventory Control Committee except those relating to institution of a system of reporting to top management and re-organisation of Production and Material Management Departments which are in the process of implementation.

The Committee are also informed that a system of perpetual verification of stores is now in vogue. The Committee recommend that undertaking should complete the re-organisation of the production and material management departments soon so that planning scheduling and purchases of material can be systematised.

The Committee trust that with the implementation of the recommendations of the Inventory Control Committee and institution of perpetual stock verification system, it should be possible for the Undertaking to keep the inventory under control and avoid over stocking of materials.

The Committee regret to note that the Undertaking had to write-off a sum of Rs. 28,631 being the cost of 2,31,643 spools purchased in September, 1966, as these were found to be defective and could not be used. The Committee were informed that the defect could be noticed only at time of the use of the Spools. The Committee fail to understand as to how such defective materials were purchased without proper verification and inspection of the samples.

It has been admitted that this was due to faulty system control and the samples should have been approved before the materials

were purchased. The Committee recommend that the matter should be investigated and responsibility for the lapses fixed.

Reply of Government

The spools were purchased in September, 1966, in the anticipation that the production of Roll films would commence from 1968-69. However, due to various reasons, even the trial production of Roll films could not be taken up till 1970. Though the supply of the initial batch of spools was made according to the requirements indicated by the collaborators, they could not be put to practical test till production of Roll films commenced in 1970 and when these spools were taken on the spooling machines, in 1970, the defects were noticed for the first time. Till then, there were no other facilities in the Company for checking the spools completely. The Management have explained that the production of sensitized photographic materials being a highly complicated process, certain trial and error production and some lapses are inevitable and it is very difficult to fix responsibility for the lapses at this distant point of time. The Management have, however, assured that they are taking all the case to avoid recurrence of such instances, through a constant review of the system and the control measures. Government agree with this explanation.

[Ministry of Industry and Civil Supplies O.M. No. 15/47/73-CGP. Vol. V, dated 1st February, 1975].

Further information called for by the Committee

Please indicate the action taken on para 5 of the recommendation regarding reorganisation of the production and material management departments.

[Lok Sabha Secretariat O.M. No. 17-PU/74 dated 6th May, 1975]

Further Reply of Government

The production and the Material Management Division have already been reorganised, so that planning, scheduling and purchases of material are systematised.

[Ministry of Industry and Civil Supplies O.M. No. 15(47)/73-CGP dated 11th June, 1975].

Recommendation Serial No. 37 (Paragraph No. 9.7)

The Committee find that the post of Managing Director has been vacant and one officer of the Manufacturing Division is performing the duties of Managing Director. As the Undertaking has still a

number of production problems and has been continuously incurring losses, the Committee need hardly stress the need for Managing Director to man the activities of this Undertaking. The Committee also recommend that the feasibility of appointing a Chairman-cum-Managing Director for the undertaking instead of having both a part-time Chairman and a full time Managing Director may be examined.

Reply of Government

The question of filling up of the post of Managing Director is actively under the consideration of Government. Pending the appointment of a regular incumbent, the duties of the Managing Director are being looked after by the Projects Manager of the Company in an acting capacity.

Government have examined the feasibility of appointing a Chairman-cum-Managing Director for the Undertaking instead of having both a part-time Chairman and a full time Managing Director, as recommended by the Public Undertakings' Committee. Considering all the circumstances, including the interest taken by the present part-time Chairman and the enthusiasm evinced by the Officers and staff of the Company, the matter has been reviewed by Government, and in recognition of the steady improvement in the performance of the Company, resulting in capacity utilisation of 80 per cent of the rated capacity and increase in production from Rs. 697 lakhs in 1973-74 to Rs. 1389 lakhs in 1974-75, Government have decided in consultation with the Public Enterprises Selection Board, to continue the present arrangement of a part-time Chairman and a full-time Managing Director for the Undertaking. Accordingly steps have been initiated to continue Shri M. K. Raju as part-time Chairman of the Company for another term and to select a person from within the Company for appointment as Managing Director.

[Ministry of Industry and Civil Supplies O.M. No. 15(39)/74-
CGP dated 3rd May, 1975].

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation Serial No. 1 (Paragraph Nos. 2.16 to 2.19)

The Committee note that a Collaboration Agreement was entered into between the Government of India and M/s. Bauchet of France on 25th April, 1960 for the preparation of Detailed Project Report, Delivery of Machinery and Equipment, Supervision of erection of Plant and Machinery, assistance in the construction and consultation and technical services for establishment of plant and for production. The Agreement was later on assigned to the undertaking on the 5th April, 1961. The Committee find that the collaborators selected by the National Industrial Development Corporation Limited a consultancy organisation at that time within the Ministry which had some general consultancy knowledge and experience of negotiations with foreign parties.

The Committee are not however sure whether the NIDC had the necessary expertise in the photographic field to select foreign firms like Bauchet of France for Collaboration for the manufacture of photographic products. The Committee were informed that the Ministry had not been able to locate the relevant file containing the correspondence leading to the selection of the collaborators and in which the feasibility study and economics of the Project were considered by the Government. What is more surprising is the fact that the loss of file came to the notice of the Ministry only in September, 1973 when the Audit wanted the file.

The Committee were informed that the movement register relating to the file is also missing. *Prima-facie* this does not seem to be a case of mere negligence.

The Committee feel it would be difficult to come to correct judgment about the propriety or otherwise of the selection of the collaborators, in the absence of this important document. The Committee would like Government to investigate and fix responsibility as to how an important file containing the feasibility study and the economics

of the project was not kept with the care that it deserved as a permanent record for reference. The Committee would like this file to be traced by Government and responsibility for its being misplaced fixed. The Committee would also like to know what action Government have taken or proposed to take to ensure that all such important documents relating to Government departments or Public Undertakings are kept with utmost care for permanent reference and record.

Reply of Government

A detailed note explaining the circumstances in which this Ministry's file in which the feasibility study and economics of the raw film project was considered by the Government was lost and the attempts made to trace the same and the investigations carried out to fix responsibility for the loss of the file had already been submitted to the Public Undertakings Committee.

2. However, as the Committee had reiterated the recommendation in their 55th Report that Government should investigate and fix responsibility as to how an important file as this one was not kept with the care that it deserved as a permanent record for reference, fresh attempts were again made to trace out the file. A circular dated the 12th August, 1974 was issued to all the Officers and Sections in the Ministry of Industrial Development, Ministry of Heavy Industry and the Ministry of Petroleum and Chemicals requesting them to trace out the file and return the same to us. However, the Officers and Sections had replied stating that they had not come across this file at any stage.

3. The matter was also taken up with the various Section Officers who had held charge of the various Sections, during the period 1956—71, during which this project (M/s. Hindustan Photo Films Mfg. Co. Ltd.) was being dealt with in those Sections. They have all replied stating that they had scrupulously followed the relevant provisions in the Office Procedure Manual for the safe custody of Government documents and that they are unable to throw, at this point of time, any clue about the movement of this particular file.

4. This Ministry are not satisfied with the explanation of the Section Officers concerned. It is, therefore, proposed to carry out further investigations systematically with a view to locating the missing papers and to fix responsibility for the loss of these papers.

5. With regard to the suggestion of the Committee that they would like to know what action Government have taken or propose to take to ensure that all such important documents relating to Government Departments or Public Undertakings are kept with utmost care for

permanent reference and record, it may be submitted that the Office Procedure Manual contains a number of provisions for ensuring safety and safe custody of Government records. A list of these provisions is enclosed (Appendix III). It is considered that if the provisions of the Manual are scrupulously followed by every one, there should be no occasion for files to get either lost or misplaced. As general instructions are already available about the safe custody of Government documents in the Office Procedure Manual, there appears to be no necessity to issue any fresh instructions on the subject.

[Ministry of Industry and Civil Supplies O.M. No. 15(31)/73-CGP. Vol. III, dated the 6th May, 1975].

Comments of the Committee

Please see paras 4 and 5 of Chapter I of the Report.

Recommendation Serial No. 2 (Paragraph Nos. 2.41 to 2.43)

The Committee note that when the Management of the collaborating firm changed, the new management felt that the rights and obligations of each of the two parties to agreement, should be clearly brought out particularly when the agreement contained apparent contradictions. It was stated that clauses relating to carrying out of acceptance tests were vague, product-mix envisaged in the agreement required improvement etc. The Company also came to the conclusion that on the basis of working of the project, there were inadequacies in the collaboration agreement, in that, the collaborator lacked the financial, technical resources, ability to design a modern photographic plant, confidence in supplying the technical know-how for the products included in the agreement, a design and engineering organisation capable of coping with the problems that might arise during the setting up of the Plant.

The Committee find that after a series of discussions between the new Management and the Company the agreement was modified in November, 1966 with reference to varieties and quantities of films and paper and acceptance tests. The Committee, however, find that the acceptance tests as stipulated in the modified agreement were restricted primarily to the production of two samples of 300 sq. m. each in respect of Cine Film positive, medical x-ray film, roll film etc. without any reference to the inputs and the production cycles. Although the Detailed Project Report indicated the input-output ratio and norms of rejections, the Committee regret to observe that no basic records were maintained by the Management to indicate the actual input-output ratio and rejections during acceptance tests, with the result that the adequacy of the acceptance tests could not be verified and the responsibility of the collaborators in this regard could

not be fixed. During evidence it was admitted that this was a lapse, and that the proper approach would be for the undertaking to evolve its own norms of efficiency on the basis of experience taking DPR as the guideline. The Committee have dealt with the deficiencies in the agreement in the subsequent Chapters of this Report.

The Committee are concerned to note that neither at the time of the original agreement nor even at the time of its modification, sufficient care was exercised to provide for suitable acceptance tests so as to ensure input-output relationship at every stage of production and the efficiency of the plant before its take over from the collaborators. The Committee take a serious view of the failure of the management all along and recommended that this should be investigated and responsibility for the failure fixed.

Reply of Government

It is conceded that the original collaboration agreement did not provide for suitable acceptance tests. Accordingly when the agreement was modified in 1966, it was suitably amplified so as to spell out acceptance and performance tests.

The subject of the acceptance and performance tests under the collaboration agreement was discussed at the 32nd Meeting of the Board of Directors held on the 7th to 9th February, 1966, when the representative of M/s. Bauchet was also present. In the light of the discussions held, the Board felt that the revised draft agreement dated the 9th February, 1966 was a pragmatic attempt at reconciling as far as possible the different view-points of both Bauchet and HPF. It was the collective judgement of the members of the Board of Directors of the Company at that time that the revised terms were fair to both the parties. In the circumstances, it will be appreciated that at this point of time, no useful purpose will be served in fixing responsibility for the problems encountered in the implementation of the agreement. In any case, it will be difficult to pinpoint responsibility on any one individual for the deficiencies in the agreement.

Further, since all the people involved have since retired, it is felt that the time and effort expended on such an investigation will not be useful, and that it may be better to concentrate on the still outstanding problems of the HPF, and the remedies for some of the lacunae observed, in order to improve the working of the HPF in future.

[Ministry of Industry and Civil Supplies, O.M. No. 15(47)/
73-CGP-Vol. V dated 1st February, 1975].

Comments of the Committee

Please see para 8 of Chapter I of the Report.

Recommendation (Serial No. 7 Paragraph 3.30 to 3.38)

The Committee note that though the agreement with the Collaborators envisaged a time schedule for the construction and completion according to which the acceptance tests should have been completed in 37 months i.e. by November 1963, there has been a delay of about 5 years in the completion of the acceptance tests and the plant was finally handed over to the Company in October, 1968.

The Committee were informed that the delay in completion of the project and commencement of production resulted in loss of production to the extent of Rs. 38 crores with reference to scale of production indicated in DPR.

The delay in completion of the project has been attributed to several factors like extremely difficult working conditions in a remote hill station like Ootacamund, pile foundations, difficulty in transporting materials, delay in civil construction, finalisation of the collaboration agreement with the new management, defects in the equipment supplied by the Collaborators which had to be rectified etc.

The Committee are not convinced of the reasons adduced for the delay, as the problems connected with the location, site were already known to the Management even before the selection of site and as admitted by the Management that these should have been foreseen at the time of entering into the contract.

The Committee fail to understand as to why these could not have been taken into account and realistic targets fixed for construction and commissioning of the Plant.

The Committee also regret to note that no analysis of the delays was done by the Company and no attempt was made to invoke the clauses in the agreement relating to compensation for delay in completion short fall in production etc. since according to the Management many areas in the agreement were overlapping and it was difficult to pin-point responsibility on the collaborators.

The Committee see no reason why all these factors could not have been got remedied in the modified agreement which was finalised in 1966.

The Committee recommend that Government should investigate into the matter and fix responsibility for the lapses of the Management in safeguarding public interest at various stages. The Committee would like to be informed of the action taken in the matter.

Reply of Government

The delay in the completion of the Project was due to the various factors discussed in page 21 to 22 of the Audit Report. Government realise that the difficult working conditions in Ootacamund and the difficulty in transportation of the equipment from the plains, the limited working seasons as a result of monsoon and weather conditions for most part of the year, should have been foreseen at the time of entering into agreement with the collaborators. It will however, be appreciated that this was the first project of its kind in the Nilgiris and neither the HPF nor their collaborators had past experience of establishing a project of this magnitude in a remote hilly area like Ooty. Moreover the Company had to give preference to the local labour. While there has been serious delay, it is to be noted that all the people connected with the setting up of the project have either retired or have left the Company. It is, therefore, felt that the time, effort and energy expended on pinpointing responsibility for these lapses may not, at this stage, be either useful or justified. Indeed, such action could have a demoralising effect on the present staff who have brought up the factory from a low level of output to increased output at lower cost, by devoting themselves to the task of production, as some of them would have held lower positions (without direct responsibility) at the time of construction of the plant. It is therefore, felt that the lessons of past failures should be utilised to both avoid any recurrence of similar lapses in the future as well as to pinpoint the remedies for some of the present lacunae in the working of the HPF, rather than to apportion blame or responsibility which today would be only of academic interest.

[Ministry of Industry and Civil Supplies, O.M. No. 15(47)/73-CGP-Vol. V dated 1st February, 1975].

Comments of the Committee

Please see para 11 of Chapter I of the Report.

Recommendation Serial No. 10 (Paragraph 3.58)

The Committee regret to note that on the basis of advice of the collaborators to have a building with more than four floors, the contract for the work of pile foundations was awarded to a firm for Rs. 4.7 lakhs to be completed by July 1962, without assessing the

characteristics of the soil and nature of the terrain. The result was that the work had to be abandoned and the collaborators asked in July, 1962 to redesign the layout of the buildings for which an amount of Rs. 2.18 lakhs was paid to them. The Committee were informed that ultimately the building was constructed without pile foundation and having from floor only in September, 1964 after more than 2 years thus delaying the entire schedule, at an actual cost of Rs. 55.81 lakhs as against the estimated cost of Rs. 53.50 lakhs. The Committee regret to observe that on account of the incorrect advice of the collaborators and failure of the Management in not assessing the characteristics of solid and terrain in advance payment made to the architects towards cost of pile driving was rendered infructuous. The Committee would like that matter should be investigated with a view to pinpoint the lapses on the part of the management.

Reply of Government

The Management of HPF have explained that they were guided by the expert advice given by the specialists in the field of soil testing and pile foundation viz. State Public Works Department and the Central Building Research Institute, Roorkee. The work of pile foundation got into serious difficulties due to unpredictable characteristics of soil and terrain, which it was reported, did not come to light at the time of trial bores. The Management have also pointed out that the cost of pile driving was waived by the contractors. The only infructuous expenditure was the amount paid to the architect, which was Rs. 9401, for a project costing several crores of rupees. Taking into consideration the peculiarities of the terrain, (this being the first project of its kind in Nilgiris) and the expert opinion tendered by the specialists in the field of soil testing and pile foundation, on the basis of which the work of pile foundation was undertaken, it will be appreciated that it will be difficult to hold the Management at that time responsible for the lapses in this regard. Such an attempt may also be unrewarding at this late stage, because all the concerned people have either already retired or left the service of the Company.

[Ministry of Industry and Civil Supplies, O.M. No. 15(47)/73-CGP-Vol. V dated 1st February, 1975].

Comments of the Committee

Please see para 14 of Chapter I of the Report.

Recommendation Serial No. 13 (Paragraph 4.17 to 4.19)

The Committee note that the modified agreement entered into

with the collaborators in November, 1966, provided for an increase in the capacity of the plant for the production of medical X-ray film and roll film from 0.5 million sq. mtrs. to 1 million sq. mtrs. and 0.22 millions sq. mtrs. of roll films to 0.45 million sq. mtrs. respectively while the production capacity for Cine-film Positive was reduced from 2.93 million sq. mtrs to 2.45 million sq. mtrs. The Committee regret to note that in spite of the modification of the sequence of production in the agreement with the collaborators in 1966, the programme of build up of capacity was not correspondingly revised to enable the management to evaluate the performance with reference to such revised capacity.

The Committee have in an earlier chapter given their recommendations in this regard. The Committee find that except in the case of Medical X-ray film, Portrait film, Roll Film, Negative Film Photographic paper where the production started earlier than it was envisaged in D.P.R., the actual production in the case of Cine Film Positive, Cine Film Sound, Cine Film Negative, Graphic Arts Films and others was always less than the build up capacity.

The Committee would like Government to investigate why the revised build up of capacity was not incorporated simultaneously in the modified agreement and fix responsibility for the lapses in this regard.

Reply of Government

In the modified agreement, the capacity of the plant was increased from 5.8 million sq. m. to 6.15 million sq. m., the major changes being increased in the capacity of X-ray films from 0.5 million to 1.0 million and reduction in capacity of Cine films positive from 2.98 million sq. m. to 2.45 million sq. metre. Once the capacity is mutually agreed upon, the lead time required to attain the capacity is, it will be appreciated, the responsibility of operating management particularly in view of the fact that the collaborator was not made responsible for the build up of capacity. On the basis of the phased programme, as originally indicated in the DPR, the Management of HPF was expected to work out a revised schedule for the change in product mix, dependent on the progress achieved in the individual product lines and that explains the reason why the build up in capacity was not made a part of the modified agreement. In the circumstances explained by the Management, the question of fixing responsibility for not incorporating the revised build up of capacity in the modified agreement does not arise.

[Ministry of Industry and Civil Supplies, O.M. No. 15(47)/
73-CGP-Vol. V dated 1st February, 1975].

Comments of the Committee

Please see para 17 of Chapter I of the Report.

Recommendation Serial No. 15 (Paragraphs 4.47 to 4.50)

The Committee note that one of the reasons attributed by the Management for the shortfall in production was the switching over from imported Cellulose Triacetate to the indigenous material.

The Committee have been informed that the present indigenous Cellulose Triacetate has not been found suitable for manufacturing processes in the company and that the company had to suffer great losses on this account. The Committee would like in this context to recall briefly the facts of the case which are that as early as 1960 the company had got samples of the Cellulose Triacetate which was supposed to be manufactured by the private company for supply to Hindustan Photo Films. These samples were got tested by Hindustan Photo Films at the factory of the collaborators in France who did not bring out any feature requiring consideration. The firm was therefore allowed to proceed with the project. In December, 1968, when the first of the indigenous triacetate was made available, the undertaking after extensive trials found that elongation characteristics of the base were inadequate for cine positive. After several trials, a decision was taken in 1969 to accept the indigenous triacetate of this firm for regular use. The Committee note that the Undertaking before finalising the rate contract with DGS&D for the supply of indigenous Cellulose Triacetate, confirmed to the Government in May, 1969 that the quality and suitability of the indigenous products had been tested and found usable without major problem, except for minor variation in characteristics as compared to the imported materials. It was also confirmed that change-over from imported material to the indigenous one was not expected to affect the rate of production. The Committee are therefore unable to appreciate the statement now made by Hindustan Photo Films that when indigenous Cellulose Triacetate was actual used in production the elongation of base cast was found to be poor and that it also created other problems. The Committee regret to note that to overcome these problems, the Undertaking had to incur an expenditure of about Rs. 19 lakhs on modifications of the plant extra scrap arising etc. besides engagement of additional operators to operate the modified machines. There was also increases in filtration one solvent losses and maintenance expenditure resulting in additional recurring expenditure of about Rs. 9 lakhs per year. Despite these modifications, the rates of rejections of the products also increased.

The Committee are perturbed at the casual manner in which the management agreed to switchover to the use of Cellulose Triacetate to be manufactured by a private party without a conclusive evaluation of the quality and suitability of the material which not only resulted in major modifications to the plant at a cost of over Rs. 19 lakhs but also committed the Undertaking to recurring loss of Rs. 9 lakhs per year with common consequential losses. The management admitted during evidence that "as elongation factor was marginally less than the minimum specified we felt that we should be able to manage the manufacturing problems without much difficulty. We did give clearance to Government on the basis of assessment for which we are responsible.

The Committee are surprised to find that the question of recovering any portion of the cost of modifying the machines to make them suitable for using the private firm the material supplies by them was also not pursued earnestly. The Committee recommended that the entire matter should be investigated and responsibility for the lapses of the Management at the different stages fixed. The Committee also find that because of a indecision over the quality of indigenous triacetate there has been a delay in obtaining the import licence for procuring the requisite material from abroad with consequential loss in production.

The Committee also recommend that the Management should draw a lesson from their experience and at least now make sure about the physical and chemical characteristics of Triacetate in consultation with Research Institutes and other experts in the field before entering into further commitments for the purchase of indigenous material from the private firm. The Committee would like to make it clear that while they are for import substitution and for attainment of self-reliance they cannot too strongly stress the need for ensuring proper co-ordination so that the raw material and other goods required for manufacture by a public undertaking become available in time and do not in any manner affect adversely the production.

Reply of Government

M/s. Mysore Acetate & Chemicals Company Ltd., suppliers of Cellulose Triacetate to Hindustan Photo Films Mfg. Co. Ltd., are not a private concern—they are a joint sector company in which the State Government of Karnataka have a substantial interest both directly (31.25 per cent) and through the Mysore State Industrial Investment and Development Corporation (18.7 per cent).

HPF did take up with M/s. MACC, the question of recovering part or whole of the expenditure incurred by them in modifying the base casting machines for the use of indigenous Triacetate supplied by MACC. The choice of technology appears to have been made only after the approval of Gevaert type of Cellulose Triacetate to be manufactured in India by the collaborators of HPF. As such, MACC contended that the problems arising from the use of such Triacetate cannot be laid at their doors. Also, to tackle the problems experienced by HPF in the use of the Acetate supplied by them, MACC had obtained assistance from Agfa Gevaert for the modification of machinery and also shared part of the expenses thereof.

The question of MACC sharing the expenditure on the modification of the base casting machines was discussed at length by the Board of Directors of HPF at their meeting held on 5-7-1971, when the Managing Director of MACC was also present. Taking into consideration all the facts of the case, it was decided that there was no rational basis on which any compensation could be obtained from MACC, more so, as the collaboration for heterogeneous type of Cellulose Triacetate was concluded by MACC only after obtaining the approval of HPF for supply of heterogeneous type of Cellulose Triacetate.

In the circumstances explained by the Company as above, it will be appreciated that no responsibility can now be fixed on any individual for the lapses in this regard.

The recommendations of the Committee made in the concluding paragraph have been brought to the notice of the Management for necessary action.

Ministry of Industry and Civil Supplies, O.M. No. 15(47)/73-
CGP-Vol. V dated the 1st February, 1975.

Comments of the Committee

Please see para 20 of Chapter I of the Report.

Recommendation Serial No. 16 (Paragraphs 4.76 to 4.78)

The Committee find that one of the reasons for the shortfall in production is the heavy percentage of inprocess rejections. The Committee note that during 1968-69 to 1971-72 the percentage of rejections ranged from 85 to 152 per cent in the case of Cine Film Positive, 176 to 444 per cent in the case of Medical X-ray Films and 16 to 68 per cent in the case of bromide papers with reference to final output against the norms of 11.36 per cent, 27.01 per cent and 9.18

per cent prescribed for these in DPR. The Committee find that in respect of cine positive the rejections have shown a marked increase at base casting and substraction stages in 1970-71, the rejections were heavy in regard to medical X-ray films at the coating and conversion stages. The rejections were the heaviest at the base casting and conversion in respect of all the years. An analysis of the input and output position of the different processes indicated that the substraction, coating and conversion department had spare capacity to take larger inputs, which however, was not utilised on account of the inability of the base casting department to feed all the subsequent processes. The inability of the base casting department was mainly due to the high rejections and also due to under utilisation of the capacity.

The Committee regret to note that no attempts were made to locate the problem from the base casting side and increase the production at the base casting unit by increasing the speed of the base casting unit nor to analyse the causes of rejection at that stage. Even the available input was not processed in the coating and conversion departments.

The Committee feel that in spite of these heavy rejections at different stages, no cause-wise analysis of the rejections was done by the Management. The Committee are left with an impression that the high rejection levels may also be due to the defective provision for acceptance tests without co-relating to finished products to the inputs at the different stages of production and provision of too short a test-run to prove the efficacy of the plant in the Modified Agreement. It is surprising that even after the Management had known about these rejections in the working of the plant through the years, it was only towards the close of 1971-72 that they initiated corrective action to effect improvements, when the cumulative loss of the plant was over Rs. 11 crores and the entire capital of the Company was wiped off. The Undertaking had already incurred an expenditure of Rs. 29 lakhs upto September, 1973 and expects to incur an additional expenditure of Rs. 16 lakhs to complete the improvements. According to Management though this is expected to secure a gradual reduction in wastage during 1973-74, the effect will be felt only in the latter half of 1973-74. The Committee are not sure whether these modifications etc. would really result in reduction in the percentage of rejection and improve the quality.

The Committee cannot but express their feeling of dissatisfaction that the Undertaking has allowed matters to drift thereby causing heavy losses to the Undertaking year after year. The Committee recommend that the matter should be thoroughly investigated with a view to fixing responsibility for the failure at various stages and to

take remedial measures without further loss of time, to achieve best production results and eliminate losses on account of heavy rejections.

Reply of Government

The Management of Company have submitted that during the process stabilisation, for a sophisticated technology, rejections are an inevitable price one has to pay. But the Company have taken a number of steps like improvements to the equipment and the processes to bring about a reduction in the rejection levels. Additional instrumentation and control facilities have been provided in a fairly extensive way. Steps have also been taken to introduce Statistical Quality Control techniques and rigorous process controls in all important operations and at all stages of manufacture. Modifications to Ease Casting Machines were completed by July, 1973 and improvements/modifications to Festoon Coating Machine was completed by the end of 1972-73. A solvent recovery plant has been installed to improve the efficiency of solvent recovery in the base casting. As a result of these measures, the rejection levels have come down considerably in respect of all the products during the years 1973-74 and 1974-75. The percentage of rejections has been brought down to about 26 per cent in the case of cine positive about 55 per cent in the case of X-ray and about 11 per cent in the case of Bromide Paper. The Company have also assured that they are taking all remedial measures possible to stabilise the production and improve the operating performance. Government are satisfied with the various remedial measures being taken by the Company and are of the view that it would be difficult to pin-point responsibility on any individual for the lapses which occurred in the past, at this distant point of time.

[Ministry of Industry and Civil Supplies, O.M. No. 15(47)/73-CGP-Vol, V dated 1st February, 1975].

Further information called for by the Committee

(a) The specific steps taken and results Achieved in reducing the percentage of rejection may please be indicated.

(b) How do these compare with the earlier years?

(Lok Sabha Secretariat O.M. No. 17-PU/74 dated 6th May, 1975).

Further Reply of Government

(a) The following steps have been taken to reduce the percentage of rejections.

(i) Base Casting Department :

All the six base casting machines have been modified and the air flow pattern was changed to cast the indigenous Triacetate.

The viscosity of the collodion (Casting dope) was doubled to increase the casting speeds and reduce the solvent losses.

A Solvent Recovery Plant was installed and solvent losses brought down from 1.6 kgs to 1 kg. per kg. of base produced.

(ii) Coating Department:

Instruments have been installed to ensure closer temperature and humidity control. Higher through-put of air into the drying zones of Festoon Coating Machines which brought down the rejections due to static.

Better insulation of chilling zones to improve the top coat and reduce the rejections due to top coat defects of x-ray.

Stick falls and consequent rejections were reduced by introduction of roller chains instead of link chains.

A new system to have closer control of coating trough was introduced by which the variations in temperature brought down to minimum and the coating quality improved.

The stick feeding system in Coating machines was also improved.

(b) The comparative figures of rejections for the last three years are furnished below:

Product	1972-73	1973-74	1974-75	Lowest rejection in a month during 1974-75
35 mm Cine Positive	37.19	36.53	35.06	23.09
X-ray	65.09	61.45	64.42	48.95
Paper	17.64	15.44	16.69	7.75
Cine Sound	35.00	51.56	50.64	40.00

During the year 1974-75 some trials were conducted to increase the speed of the Coating. The rejections arising out of such trials as well as certain batch rejections due to sensitometry caused by change in the raw materials amounting to about 3 per cent in x-ray has not been included in the above figures.

The increase in the rejection level in Bromide Paper compared to 1973-74 is due to the change over of Purchase of Base Paper from German sources to French sources. The price of paper is however lower by about 25 per cent compared to the price of the previous suppliers.

[Ministry of Industry and Civil Supplies O.M. No. 15/47/73-CGP dated 11-6-1975].

Comments of the Committee

Please see para 28 of Chapter I of the Report.

Recommendation Serial No. 17 (Paragraphs 4.120 to 4.146)

The Committee note that the undertaking set up a plant for the production of Silver Nitrate and a Silver Recovery Plant at a cost of Rs. 13 lakhs in 1966-67. The expectation at the time of setting up of Silver Nitrate and Silver Recovery Plants was that almost the entire Silver content from the waste would be recovered. For accounts upto 1969-70, the consumption of silver was worked out on the basis of silver content in the finished product and in the work in progress and the balance of input was shown as recoverable from sludge granules, waste-scrap etc.

The Committee, however, find that recovery of Silver from Sludge and granules was not made on regular basis till 1969-70.

The Committee note that it was only during 1970-71 that certain *ad hoc* norms were fixed by a Task Force appointed by the Management.

The Committee find that on the basis of consumption figures derived in the above manner and on the basis of the *ad hoc* norms silver of value Rs. 28 lakhs was treated as lost for purposes of annual accounts for 1970-71 and charged to the account by reduction of the closing stock of silver-in-process without relating it to the actual recovery made from the different elements.

During 1971-72, the Committee find that Silver valued at Rs. 22 lakhs was deemed to have been lost and adjusted in account with reference to the *ad hoc* norms fixed by the management.

During 1972-73 silver valued at Rs. 38 lakhs was considered to have been lost and adjusted in accounts.

The Committee note that the silver entrapped in the slag from the furnaces and crucibles was not recovered and the slag arisings were accumulated and an *ad hoc* quantity was treated as irrecoverable in the process of smelting etc. and the balance was presumed to be available for recoverable from slag and included in the closing stock

of silver in process. It was only in October, 1972 that a certain quantity of slag was sent for the first time to Bharat Gold Mines Limited for recovery of silver. It was admitted during the evidence by the Management that they were not aware whether facilities were available under Bharat Gold Mines Limited for recovery of silver from slag.

The Committee were informed that even after the reported fixation of *ad hoc* norms no attempt was made for investigating losses in excess of these norms and they were treated as abnormal losses and written off in the accounts. The Committee find also that the loss attributed to over coating could not be established.

There was also no arrangement for periodical stock-taking of all the silver bearing wastes and silver in catchpit sludge, anode bags and slags was not verified during 1971-72. There was also no proper system for collection, weighment, and expeditious disposal of wastes.

The Committee are surprised to find that it was only in June, 1973, when the losses were higher than the *ad-hoc* norms, that the matter was reported to the Management and Board by the Finance Division. The Directors expressed grave concern at the casual manner in which the shortages were handled even though the losses were as high as Rs. 30 lakhs in respect of 1972-73 alone. The Board requested the Company Auditors to arrange for fresh inventory of all stocks as on 1st June, 1973 in liaison with the Manager Finance Division to ensure that the true state of affairs of the Company were known and to evaluate the liability of the Company on all counts before the accounts for 1972-73 were closed. The Board also directed that the Managing Director should investigate the shortage thoroughly and submit a detailed report thereon. The Committee were informed that, since then the matter had been thoroughly investigated, silver consumption norms had been fixed, control points established and documentation tightened.

According to the Report of the Management, a loss of 7619 kgs. of silver of the value of over Rs. 42 lakhs was established for the year 1972-73 on the basis of independent verification and norms estimated by the Company in 1970-71 and on this basis of the total loss of silver from 1968-69 to 1972-73 would work to Rs. 93 lakhs.*

*At the time of factual verification, the Audit has pointed out that it is noticed during local verification that the total loss of silver during 1973-74 was 5238 Kgs. valued at Rs. 46.74 lakhs and during 1974-75 upto December, 1974) 3775 kgs. valued at Rs. 47.97 lakhs. Moreover, the abnormal losses were 2148 kgs. (Rs. 19.16 lakhs) during 1973-74 and 885 kgs. (Rs. 12.01 lakhs) during 1974-75 (upto December, 1974). The loss would, therefore, still appear to be heavy.

Investigations conducted by the Company Auditors however, revealed that the total loss from 1966-67 to 1972-73 exceeded Rs. 1 crore.

The Committee were informed that a special technologist was going into the losses of silver year by year and also the question of standards.

It was admitted by the Undertaking during evidence that:

"We did not find in the operating management the feeling that they were dealing with Public funds. In other words, as long as the sense of accountability was not there, I do not see why anybody should bother whether silver is lost or anything else is lost..

It was a whole lack of systems control. That has, what led to these many problems of which silver is one."

From the fore-going analysis, the Committee are convinced that the procedure observed as a whole did not secure an effective system of internal control over consumption, recovery and accountal of silver. The Committee cannot but express their grave dissatisfaction over the negligence on the part of the Management to not only keep an effective control over the use of such a costly raw material like silver, but to have even failed to bring the facts to the notice of Board immediately after the loss was known to them.

The Committee recommend that the entire matter should be investigated by a High Level Committee to pin-point the lapses on the part of Management and all others concerned and to ascertain as to how far the loss of silver was consequential to normal utilisation and whether the loss was not due to other causes like avoidable wastage, pilferage etc. and to fix the responsibility for the same.

Pending investigation at high level as suggested by the Committee in the foregoing paragraph Government may consider the question of issuing guidelines to other public undertakings so that the adequate care is taken in the use of precious metals, chemicals and other raw materials required for manufacture to obviate losses in shortage and handling and that norms of their consumption|wastage in processing should be precisely laid down on the basis of the best expert advice available so as to obviate any chances of pilferage, wastage etc.

There should also be proper management control to ensure that important data about consumption and wastage of these precious metals, chemicals, raw materials, etc., in manufacture are reported to the management together with the prescribed norms and where the losses are of a substantial nature, these are reported specifically without delay to the Board of Directors and Government.

The Committee find that in the first week of October, 1972 the Undertaking sent slag to Bharat Gold Mines Ltd., another Government of India Undertaking for recovery of silver. The Committee note that out of 65 tons of slag which arose upto 31st March, 1973 silver to the extent of 1540 kg was actually recovered by the Bharat Gold Mines upto June, 1973, indicating a recovery of 23.7 kgs per ton although, silver to the extent, of 21.20 kgs was shown to be recoverable from the slag arising upto 31st March, 1973 without indicating the quantity of slag. The Committee understand that a further quantity of 1247 kgs are expected to be recovered by the Bharat Gold Mines. The Committee would like to know the further developments in the case.

Reply of Government

In June, 1973, when the silver losses for the year ending 31st March, 1973 were higher than the *ad-hoc* norms, the matter was for the first time reported to the Management and the Board by the Finance Division of the Company. In their meeting held on the 8th June, 1973, the Directors expressed grave concern at the casual manner in which the shortages were handled, even though the losses were very high. In the meeting held on 8-6-73 and the subsequent meeting held on 3-9-73 and 27-10-73, the Board of Directors noted that no comprehensive data relating to consumption of silver was available and that the silver content in the finished product was being determined on an *ad hoc* basis each year, which was not related to any authentic laboratory report. It was, therefore difficult to determine whether the loss was attributable entirely to process losses or to other sources like avoidable wastages, pilferage etc. It was also noted that the company did not have any valid reference standards for process losses. In the circumstances, the Board had arranged with the Statutory Auditors to carry out a special investigation by taking a fresh inventory of the closing balance of silver in works in progress, emulsion, sludge and granules, coated rolls, coated scrap and silver nitrate for the year ended 31st March, 1973. As no proper documentation was maintained all these years, it was difficult to determine whether the silver losses were attributable entirely to the process loss or to other sources. The Company had, therefore, no other alternative except to treat 6772 kgs of silver

valued at Rs. 37.50 lakhs as unaccounted deficit accrued so far. As a result of the investigations carried out by the Board, valid process standards for silver have now been formulated and documentation at the principal control points have been streamlined. Several measures have also been taken to tighten the system to reduce the process losses. The data presented since November, 1973, indicates that the consumption has been brought under control.

As far as the balance quantity of silver to be recovered is concerned, the Management have reported that M/s. Bharat Gold Mines are awaiting receipt of imported stocks of sodium cyanide to process the slag available. This is expected to be cleared within the next two months.

The Management have also reported that a high level Committee with Prof. Subramaniam, Chairman of Bharat Gold Mines, as Chairman and Master of the Mint and Senior Scientist, PRLI as Members has been formed to investigate the subject of standard process losses in silver and submit a detailed report for further investigation. It may also be pointed out that when the fact of abnormal losses of silver was brought to Government's notice in June, 1973, the then Managing Director of the Company was asked to proceed on leave. Later on, he resigned and left the services of the Company.

As per the recommendations of the Public Undertakings Committee that Government may consider the question of issuing guidelines to other Public Undertakings so that adequate care is taken in the use of precious metals, chemicals and other raw materials required for manufacture the Bureau of Public Enterprises have issued suitable instructions vide their O.M. No. 21/1/74--BPE/MM dated the 5th August, 1974 regarding fixation of Material Consumption Norms. A copy of this circular is attached. (Appendix—IV)

[Ministry of Industry and Civil Supplies O.M. No. 15/47/73-CGP Vol. V dated the 1st February, 1975].

Further information called for by the Committee

(a) When the High Level committee to investigate the subject of standard process losses in silver was formed? What are its findings and what action has been taken thereon?

(b) After how long was the Committee set-up when the losses came to the notice of the Management of HPF?

(c) In spite of the fact that the abnormal losses of silver came to the notice of Government, why was no action taken against the Managing Director and why was he allowed to resign from HPF?

(Lok Sabha Secretariat O.M. No. 17-PU/74 Dt. 6-5-75).

Further reply of Government

(a) The High Power Committee was constituted during October 1974 to investigate the subject of process losses in silver. The Committee headed by Professor Subramanian of Bharat Gold Mines Limited Kolar could not visit HPF because of certain labour trouble at Bharat Gold Mines. It is expected that the Committee will visit HPF and its findings would be available shortly.

(b) While the silver losses came to the notice of the Management Board in June '73, a High Power Committee was appointed during October 1974. It may, however, be mentioned that prior to the appointment of high power committee, the Management took the following action in regard to silver losses:

1. SQC Unit of ISI was asked to fix up the permissible limits of process losses in the various departments where silver is handled and their Reports were received in November '73. The statutory auditors were asked in June '73 by the Board of Directors to investigate into this subject in detail. They have suggested various steps regarding the establishment of control points and improved documentation. The report of the Statutory Auditors were received and considered by the Board and a new silver accounting procedure was introduced from 15-11-73. It would therefore be seen that Management has already taken necessary action to reduce silver process losses and to control the use/recovery of silver at the control points, prior to the appointment of the High Power Committee referred to at (a) above.

(c) Since it was difficult to determine whether the losses of Silver were attributable entirely to process losses or to other sources like avoidable wastages, pilferage etc. and due to lack of valid reference standards for process losses, it was not possible to pinpoint responsibility for the losses of silver. As such, no specific charges were framed against the then Managing Director. As no disciplinary proceedings were pending or contemplated against him he was allowed to retire from service w.e.f. 3-11-1973.

[Ministry of Industry and Civil Supplies O.M. No. 15/47/73-
CGP dated 11-6-1975].

Comments of the Committee

Please see paras 50 to 57 of Chapter I of the Report.

Recommendation Serial No. 18 (Paragraph 4.176 to 4.180)

The Committee regret to note that the Undertaking suffered a cumulative loss of Rs. 104 lakhs because of low recovery of solvents during the period from 1968-69 to 1972-73. The Committee note that the solvent loss was in excess of the norms indicated in the Collaboration Agreement. The solvent loss increased from 5.97 lakhs litres in 1968-69 to 9.33 lakh litres in 1970-71 and then came down to 6.43 lakh litres in 1972-73. The filtration loss increased from 3.31 lakh litres in 1969-70 to 5.23 lakh litres in 1972-73. According to the Management though the filtration loss was not recoverable at all, this is taken into account while working out the loss per kg. of base. The Committee find that the loss per kg. of base has increased from 1.41 kg. in 1968-69 to 1.77 kg. in 1972-73 against the norm of 1 kg. prescribed in the agreement.

The Committee also find that the solvent had been consumed in the subtraction section from which no recovery is made. The solvent loss in subtraction section amounted to Rs. 23 lakhs during 1968-69 to 1971-72.

The Committee are surprised to find that in spite of the huge loss of over Rs. 1 crores the Management has failed to bring it to the notice of Government.

The Committee fail to understand as to why, when the Management/Government was aware of the abnormal losses no timely action was taken to introduce effective measures to arrest such losses and improve the recovery efficiency. The Committee would like that the responsibility for failure to take timely action in the matter should be fixed.

The Committee note that while the equipment now installed may improve the efficiency of solvent recovery in the base casting, it will not improve the efficiency of recovery in the subtraction stage. The Committee were informed that a study in this regard has revealed that the Undertaking has to spend about Rs. 20 to Rs. 22 lakhs while the recovery would be of the order of Rs. 3 to 4 lakhs in subtraction stage. The Committee like that this aspect may be carefully gone into before final decision is taken in the matter.

Reply of Government

The facts are that after HPP started using indigenous Cellulose Triacetate, solvent losses went up to an abnormal extent. With a

view to tackle this problem the Company had to obtain expert advice and based on this advice, a solvent recovery plant, was installed during 1973. It would thus be seen that corrective action was initiated without much loss of time. Government feel that fixing responsibility at this stage for such lapses would have a demoralising effect on the technical personnel of the Company and defeat the objective of raising the operative efficiency of the undertaking as speedily as possible.

The Management have reported that a detailed investigation is being made as to the economic merits of installing a solvent recovery plant at the subtraction stage also. As per the recommendations of the Public Undertakings Committee, all the aspects will be carefully gone into before final decisions about installing a solvent recovery plant at the subtraction stage are taken.

[Ministry of Industry & Civil Supplies O.M. No. 15(47)/73/CGP
Vol. V. dated the 1st February, 1975.]

Comments of the Committee

Please see para 55 of Chapter 1 of the Report.

Recommendation Serial No. 19 (Paragraph: 4.188 and 4.189)

The Committee note that the Undertaking has not been compiling data regarding utilisation of machinery upto 1969-70, although such statements are compiled in the various Departments from 1970-71. The Committee find from the statement that total down-time in respect of base casting was maximum in 1971-72 (21396 hrs.). In the Subtracting, it was maximum in 1970-71 (17339 hrs.). In respect of Coating Tunnel the down-time (3532 hrs.) was maximum during 1972-73. In regard to Coating Festoon the maximum down-time was in 1970-71. In the coating perforators the down-time was maximum in 1970-71. In the case of Reslitting X-ray and bromide the maximum down-time was in 1972-73. The Committee regret to note that a consolidated statement showing the cause-wise down-time analysis for the year was not being compiled. Management admitted that they had not compiled the data for the working of the machines on the ground that the rejections were on high side resulting in poor utilisation of machinery.

The Committee need hardly stress the importance of maintenance of records showing utilisation of machinery so that management may be in a position to judge the efficiency of their working and to enable them to take timely action.

Reply of Government

The recommendations of the Committee have been noted and brought to the notice of the Management of H.P.F. The Management have reported that the Company is now maintaining log sheets for each machine and the daily utilisation of machinery is being reviewed. The monthly utilisation of machines in the various Departments of production is also submitted to the Board of Directors along with the monthly balance sheet for a review.

[Ministry of Industry & Civil Supplies O.M. No. 15 (47)/73-CGP
Vol. V. dated the 1st February, 1975.]

Comments of the Committee

Please see para 59 of Chapter I of the Report.

Recommendation Serial No. 20 (Paragraph: 5.11 and 5.12)

The Committee note that according to the guidelines laid down by the Government of India regarding the pricing policy to be followed by the Public Undertakings in respect of Undertakings which operate under monopolistic conditions the landed cost of comparable imported goods would be the ceiling within which the undertaking can fix its own selling prices taking an appropriate return on capital. According to Management, the majority of the products of the undertaking, except cine film, positive (35 MM) are neither enjoying the absolute monopolistic or semi-monopolistic position and have therefore to be sold in competition. The Committee were however informed that judged from the present market position there may not be any competition in regard to Bromide paper and X-ray. The Committee note that the Undertaking has been selling its products at less than the cost of production during 1970-71 to 1972-73. The Committee were informed that the undertaking is now in the process of rationalising its prices with a view to recover the full cost of production.

The Committee stress that undertaking should take immediate steps to rationalise the price structure of its products so that the selling prices are really competitive.

Reply of Government

The Management of the Company have carefully noted the Committee's recommendations for compliance. They have reported that the whole Marketing Strategy including price structure for various

products is studied in depth by them and that a Sub-Committee of the Board or Merchandising has also been set up to review:—

- i. Selling prices and revisions, if any, to be effected,
- ii. Credit Policy,
- iii. Any other matter relating to the short-term and long-term merchandising policies.

The Bureau of Industrial Costs & Prices, New Delhi, had also been asked by this Ministry to study the cost of production of HPF's products *vis-a-vis* the price structure. Their Report has been received and is under examination.

[Ministry of Industry and Civil Supplies O.M. No. 15/47/73-CGP
Vol. V. dated the 1st February, 1975.]

Further Information Called for by the Committee

- (a) When the Sub-Committee of the Board on merchandising was set up?
- (b) what are the terms of Reference of the Sub-Committee?
- (c) when are they expected to give the Report?
- (d) In case the report of the Sub-Committee has since been received what action has been taken on their findings?

2. What are the findings of the Bureau of Industrial Costs & Prices, New Delhi in regard to the cost of production of HPF's products *vis-a-vis* the price structure and action taken thereon by the Government Company?

(Lok Sabha Secretariat O.M. No. 17-PU/74 dt. 6-5-1975).

Further reply of Government

(a) The Sub-Committee of the Board on merchandising was set up on 30-1-74 in the 81st meeting of the Board of Directors held at Delhi.

(b) The terms of reference of the Committee are to consider and take suitable action as necessary with respect to the following:

1. Credit policy of the Company.
2. Revision in selling prices and dates to be effected.
3. Any other matter relating to the short term and long term Merchandising policies of the Company.

(c) It is a standing sub-committee of the Board and it is meeting periodically and offering their recommendations.

(d) The recommendations of the Sub-Committee are discussed and considered by the Board. The recommendations so far made have already been accepted and implemented.

2. A brief note on the findings of the Bureau of Industrial Costs and Prices in regard to cost of products of HPF with reference to the price

structure is enclosed (APPENDIX-V) The recommendations have been considered by the Government in a meeting held on 10-5-1975.

[Ministry of Industry and Civil Supplies O.M. No. 15/47/73-
CGP dated 11-6-1975].

Comments of the Committee

Please see para 64 of Chapter I of the Report.

Recommendation Serial No. 23 (Paragraph 5.51)

As admitted by Ministry, Government/Undertaking should consider marking of the prices on carton so that the customer may be in a position to know the prescribed price and does not pay more than that.

***Reply of Government**

The recommendation of the Committee has been carefully noted by the Company for compliance.

[Ministry of Industry and Civil Supplies O.M. No. 15/47/73-
CGP Vol. V dated 1st February, 1975].

Comments of the Committee

Please see para 67 of Chapter I of the Report.

Recommendation Serial No. 29 (Paragraph 6.13)

The Committee note that the cumulative loss suffered by the undertaking till the end of 31st March, 1973 was of the order of Rs. 14.86 crores as against the paid up capital of Rs. 6.32 crores i.e., about 235 per cent of the equity capital and that there has been default in repayment of loans taken by it from the Government of India for financing its expenditure. The Committee note from the capital structure of the undertaking that the debt equity ratio has been gradually becoming unfavourable. While the ratio was 1.45 : 1 on 31st March, 1969, the position on 31st March, 1973 was stated to be 2.36:1. The Committee understand that the question regarding the re-organisation of the capital structure of certain other public undertakings like Heavy Electrical (India) Ltd. and waiver of interest on loans granted on account of cash losses incurred by the Undertakings are under the consideration of the Government of India. The Committee desire that a decision in this regard should be taken expeditiously. The Committee need hardly stress that the real solution lies not so much in the reorganisation of the capital but in the full utilisation of the capacity and reduction, if not alimination, of the rejections.

*At the time of factual verification; Audit has pointed out (8-7-75) that the recommendation of the Committee has not been implemented by the Company so far.

Reply of Government

The Company's proposal for waiver of interest and moratorium for a period of three years on repayment of Government Loan instalments are being actively processed. Simultaneously, the company are also making efforts to achieve full or utilisation of capacity and to reduce rejections.

[Ministry of Industry and Civil Supplies O.M. No. 15/47/73-CGP Vol. V dated the 1st February, 1975.]

Further information called for by the Committee

What is the latest position in regard to achieve full utilisation of the capacity and to reduce rejections?

(Lok Sabha Secretariat O.M. No. 17-PU/74, dated 6-5-1975).

Further reply of Government

Remarks offered against Recommendation Serial No. 28 and Serial No. 16 may be referred to.

[Ministry of Industry and Civil Supplies O.M. No. 15/47/73-CGP, dated 11th June, 1975].

Comments of the Committee

Please see para 68 of Chapter I of the Report.

Recommendation Serial No. 39 (Paragraph Nos. 9.20 and 9.21)

The Committee note that the overtime bill of the Undertaking has shown a marked increase from Rs. 36,000 in 1968-69 to Rs. 4 lakhs in 1972-73. The percentage of overtime allowance to the total salaries and wages bill has increased from 0.73 per cent in 1968-69 to 4.24 per cent in 1971-72 and it registered a marginal fall to 3.89 per cent in the year 1972-73. The Committee recommend that management should take concerted measures to check this trend of increase in payment of overtime allowance and should ensure that payment of overtime actually results in increased productivity.

The Committee would also like Government/Bureau of Public Enterprises to review the expenditure on overtime allowances in the public sector to assess as to how far they have been for productive purposes and to issue suitable instructions to the Public Undertakings in this regard.

Reply of Government

The Management of M/s. Hindustan Photo Films Mfg. Co. Ltd. have taken a number of steps to bring down expenditure on overtime

allowance to the barest minimum. The Managing Director reviews the amount of overtime paid, compares the production during the current and previous months etc. With a view to exercising effective control on overtime payments. In spite of the substantial increase in production by 22 per cent during 1973-74 over that of 1972-73, the overtime payment during 1973-74 was only 2.92 per cent of the total salaries and wages bill as compared to 3.8 per cent in 1972-73.

With regard to the Committee's recommendation that Government/BPE should review the expenditure on overtime allowance in the Public Sector Undertakings to assess as to how far they have been for productive purposes and to issue suitable instructions, to the public Enterprises in this regard, it may be stated that the BPE has collected information on the quantum of overtime allowance paid by the various public Enterprises during 1971-72, 1972-73 and 1973-74. After analysis of this data, suitable instructions will be issued to the public Enterprises.

[Ministry of Industry and Civil Supplies O.M. No. 15/47/73-
CGP Vol. V dated 1st February, 1975].

Further information called for by the Committee

- (a) When BPE had collected information on the quantum of overtime allowance paid by the various public enterprises during 1971-72, 1972-73 and 1973-74.
- (b) Have the Government/BPE issued instruction in this regard, if so, please furnish a copy thereof.

(Lok Sabha Secretariat O.M. No. 17-PU/74 dt. 6-5-1975).

Further Reply of Government

- (a) The information on overtime allowance paid by the individual Public Enterprises in respect of the years 1971-72, 1972-73 and 1973-74 was collected by the Bureau in the first half of 1974-75.
- (b) The data collected is now being analysed by the BPE. In the course of the analysis it has been found that the total amount of overtime allowance paid by 108 out of 113 public sector undertakings was Rs. 22.95 crores in 1971-72, Rs. 28.67 crores in 1972-73 and Rs. 32.12 crores in 1973-74; the remaining five public sector undertakings not having paid any overtime allowance during the three years referred to above. The analysis of the data has not yet been completed. It is expected to be done shortly, on the basis of

which, necessary guidelines will be issued to the Public Enterprises.

[Ministry of Industry and Civil Supplies O.M. No. 15/47/73-
CGP dated the 11th June, 1975].

Comments of the Committee

Please see para 74 of Chapter I of the Report.

NAWAL KISHORE SHARMA,

NEW DELHI;
July 23, 1975

Sravana 1, 1897 (S).

Chairman,
Committee on Public Undertakings.

APPENDIX I

(Vide reply to Recommendation at Serial No. 11)

No. 21/1-74-BPE/MM

GOVERNMENT OF INDIA (BHARAT SARKAR)

MINISTRY OF FINANCE (VITTA MANTRALAYA)

BUREAU OF PUBLIC ENTERPRISES (SARKARI UDYAM
KARYALAYA)

MAYUR BHAVAN,

New Delhi, the 5th August, 1974

OFFICE MEMORANDUM

SUBJECT:—*Acceptance of tenders.*

The Committee on Public Undertakings in their 55th Report (5th Lok Sabha) in respect of one of the public enterprises have observed that against an advertised tender for the construction of a building, although the tender of a Government undertaking was lower than that of a Private firm, it was rejected on the ground that they did not have an organisation at site and that they required sometime to get acquainted with the area. The private firm to whom the contract was awarded delayed completion of the work by 18 months but no penalty was levied on them.

The Committee have recommended that while awarding contracts, public enterprises should not ordinarily reject the offer of another public undertaking specially when their rates are the lowest and most competitive. Before the work is entrusted to a private body or organisation in preference to a Government undertaking, detailed reasons therefor should be recorded and reviewed by the management.

The Ministry of Industrial Development etc., are requested to advise the public undertakings under their administrative control accordingly.

Sd/- M. L. MONGIA,
Deputy Adviser (MM).

To

All Departments of the Government of India.

APPENDIX II

(Vide reply to Recommendation at Serial No. 32)

HINDUSTAN PHOTO FILMS MANUFACTURING CO. LTD.

55th Meeting of the Board of Directors to be held at Madras on
19th June, 1969

Item No. 14

SUBJECT: *Write off of refund of Customs Duty etc.*

MEMORANDUM

Writing-off of Refund of Customs Duty:

During the period of erection of machineries, our Collaborators, M/s. Bauchet and Co., have despatched certain tools for erection purposes along with the machinery supplies on the understanding that these tools would be re-exported after completion of the erection work. In respect of these items Customs Duty was initially paid at the time of their import and refund of this Duty was to be claimed at the time of re-export. Refund is admissible in such cases on a sliding scale only if the tools are re-exported within a stipulated time-limit (calculated from the date of import). They despatched 11 cases of Bergeon tools during 1964 and Customs Duty thereon amounting to Rs. 17,444.26 was paid by us for clearing the tools. This item of expenditure was shown in our books as recoverable from Customs. After the completion of erection work, these 11 cases of tools were re-exported during December, 1966 beyond the above mentioned stipulated period allowed by Customs for re-export. When we applied for refund of Duty for Rs. 17,444.26 to the Customs Authorities, they rejected our claim on the plea that the re-export was not made within the stipulated period allowed by Customs. We then took up the matter with the Central Board of Revenue and ultimately the claim was settled for Rs. 4,736.76 as a special case. Hence the balance amount of Rs. 12,707.50 (Rs. 17,444.26 - 4,736.76) will have to be treated as non-recoverable. Board may kindly sanction the write off of this non-recoverable amount of Rs. 12,707.50.

Writing off of Indian Expenditure Claim Pending with Indian Insurance Companies Association Pool:

2. Board is already aware that we have taken a Marine-cum-Erection Policy covering risks during transit, storage and erection for machineries supplied by M/s. Bauchet and Co., as per the Agreement. We had taken up the policy for F.O.B. value plus 33 1/3 per cent. This percentage was arrived at taking into account the rate of Customs Duty, freight charges (Ocean) and transport charges and also cost of erection (i.e.) 22 per cent for Customs Duty and balance for covering freight, erection cost etc. There were damages to some of the machineries during transit as well as at the time of erection. This necessitated our placing orders with our Collaborators, M/s. Bauchet and Co., towards the replacement of the damaged machineries and accordingly M/s. Bauchet and Co., have supplied the Machineries, that were damaged in transit and during erection. As we have taken out of the policy, naturally the expenditure on account of re-importation should be met by the Indian Insurance Companies Association Pool. We preferred claim for expenditure like Customs Duty, freight and transport charges, based on "actuals", and not based on the percentage which we have added to the F.O.B. cost at the time of taking out the Policy. The Insurance Pool was not however prepared to accept our claims based on "actuals". In spite of our repeated request and reminders, they categorically informed us that our claims will be settled only to the extent of 33 1/3 per cent of expenditure. But we, on the other hand, have debited the claim amount with the 'actual' amount of expenditure incurred for re-importing machineries. Since we have not so far succeeded in getting the claims settled fully, it is felt that we may write off the difference between the actual amount of claim and the amount which the Pool is prepared to settle. This difference comes to Rs. 45,100.74. The Board may kindly approve the writing off of this amount in our books during the accounting year 1968-69.

OOTACAMUND;
9th June, 1969.

Sd.- M. A. S. RAJAN,
Managing Director.

[True Copy]

EXTRACTS OF THE RELEVANT PORTION OF THE MINUTES OF THE 55TH MEETING OF THE BOARD OF DIRECTORS HELD AT MADRAS ON 19 JUNE, 1968.

* * *

Item No. 14: Write off of refund of Customs Duty etc.

In the circumstances explained in the Memorandum, the Board approved the write off of the following amounts:

- | | |
|--------------------|---|
| I. Rs. 12,707.50 . | being the non-recoverable refund of customs duty on erection tools re-exported to Bauchet. |
| II. R. 45,100.74 | being the claim for Indian Expenditure on import of some machinery not allowed by the Indian Insurance Companies' Association Pool. |

* * * *

(Extract)

APPENDIX III

(Vide reply to Recommendation at Serial No. 1)

List of provisions in the Manual (1972 Diglot Edition) which are relevant for ensuring safety and safe-custody of files.

	M.	O.	P.
	Para No.	Page No.	
1. Maintenance of dak register in the Central registry at the incoming stage	8(7)	12	
2. Distribution of dak through invoices/messenger books/dak registers	11	13	
3. Maintenance of section diary in individual sections	13	17	
4. Maintenance of Assistant's diary	17	23	
5. Noting movement of a file or draft when sending the same for issue and keeping a watch on their return	51	44	
6. Maintenance of issue diary in Central registry for controlling, distribution of typing work etc. in the central registry	54 & 61	46	
7. Preparation of challans when files are referred from one department to another, getting acquaintance in messenger book etc.	62	51	
8. Maintenance of file and file movement registers	70 to 73	59—60	
9. Prescription of retention periods for various classes of categories of records to ensure their maintenance for the requisite periods and weeding out whenever necessary under proper authority	79, 81, 82 & 84	63—67, 68—69	
10. Responsibility for custody of records, current, those in suspense, and recorded files, and the procedure for the transfer of records, from administrative sections to the departmental record room, and from the department to the National Archives	83, 84 & 85	67—69	
11. Maintenance of reminder/suspense diary	96	84	
12. Procedure for requisitioning of reference records, providing link with the case requisitioning the reference, signature of U.S. person calling for the record, etc.	86	70	

APPENDIX IV

(*Vide* reply to recommendation at Serial No. 17)

No. 21/1/74-BPE/MM

GOVERNMENT OF INDIA (BHARAT SARKAR)

MINISTRY OF FINANCE (VITTA MANTRALAYA)

BUREAU OF PUBLIC ENTERPRISES (SARKARI UDYAM
KARYALAYA)

MAYUR BHAVAN:

New Delhi, the 5th August, 1974.

OFFICE MEMORANDUM

SUBJECT:—*Fixation of Material Consumption Norms.*

The Committee on Public Undertaking in its 40th Report (3rd Lok Sabha) had recommended that the norms for consumption of various materials may be fixed on a scientific basis and the actual consumption checked periodically with the norms to locate the cases of excess consumption. In this connection a reference is invited to the Bureau of Public Enterprises O.M. No. 9(28)F1|67-Cir|Adv (P)-22 dated 16-10-67 wherein the administrative Ministries were requested to advise the public enterprises to fix norms for material consumption, critically investigate instances of over consumption and to review the norms periodically.

In their 55th Report (5th Lok Sabha) the Committee on Public Undertakings have observed that in one of the public enterprises the consumption of material was not being checked, as a result of which there has been considerable loss of materials. The Committee have desired that adequate care may be taken in the use of precious metals, chemicals and other raw materials required for manufacture to obviate losses in storage and handling. The norms for their consumption/wastage in processing should be precisely laid down on the basis of the best expert advice available so as to obviate any chances of pilferage wastage etc. There should also be proper management control to ensure that important data about consumption and wastage of these precious metals, chemicals, raw-materials etc., in manufacture are reported to the management to-

gether with the prescribed norms and where the losses are of a substantial nature, these are reported specifically without delay to the Board of Directors and Government.

The Ministry of Industrial Development etc., are requested to advise the public enterprises under their administrative control accordingly.

Sd/-
M. L. MONGIA,
Deputy Adviser (MM).

To

All Departments of the Government of India.

APPENDIX V

(Vide reply to recommendation at Serial No. 20)

A note on the recommendation of the Bureau of Industrial Cost and Prices on the Cost and Prices Structure of Hindustan Photo Films Mfg. Co., Ltd.

The Bureau of Industrial Cost and Prices, in their report, have indicated that the fair selling prices for Cine Positive (Black and White), Cine sound, X-ray, Bromide paper (DW) and Document copying paper, taking into account the estimates of cost of HPF and fair return of capital employed, are higher than the current selling prices. In the case of X-ray (converted from jumbos), roll films and bromide paper (SW), the fair selling prices are slightly lower than the current selling prices. In the final conclusions, however, they had suggested that the *status quo* of the prices to be continued for all the products excepting with regard to Cine sound and document copying paper wherein they have suggested an increase on selling prices from Rs. 25.71 to Rs. 31.25 and Rs. 10.74 to Rs. 12.04 per sq. m. respectively.

In the case of cine positive colour, they have recommended an increase on selling price from Rs. 38.97 per sq. m. to Rs. 44.58 per sq.m., by suggesting the Government to increase the customs duty on the finished colour films imported into the country from 50 paise to 70 paise per linear metre and retaining the customs duty on colour jumbos at the present level.

Their estimates on cost and return of capital employed are also based on the Government accepting the following recommendations:

- (1) The present central excise duty of 56 per cent on one of the major raw materials consumed by the HPF viz., Cellulose triacetate, has to be abolished;
- (2) Revamping of the capital structure of the Company by converting part of the loans into equity so that the debt equity ratio is brought at a healthy level; and
- (3) Maintenance of differential between cine positive (Black and White) and cine colour (by a suitable increase in the customs duty on the imported cine colour, consequently increasing the selling price of HPF colour positive), with a view to maintain demand for Black and White.

Finally, the approach of the BICP has been that the loss, the HPF would be incurring on certain product lines, will have to be compensated by the profit from other product lines so that the status quo of the present prices can be maintained.

Action taken

The report of the BICP was considered by the Government in a meeting held on 10th May 1975, wherein it was decided that the Board of Directors of HPF will have the freedom to review and revise the selling prices, taking into account the BICP's recommendations as guidelines.

The Government have taken action in abolishing excise duty on cellulose triacetate effective from 1st June, 1975.

The question of revamping of the capital structure of the Company is under consideration by the Government.

The mercantising Sub-Committee of the Board will consider the recommendations of BICP, with regard to selling prices, shortly.

APPENDIX VI

(Vide para 4 of Introduction)

Analysis of the action taken by Government on the recommendations contained in the 55th Report of the Committee on Public Undertakings (5th Lok Sabha).

1. Total number of recommendations	40
2. Recommendations that have been accepted by Government (vide recommendations at Serial Nos. 3, 4, 5, 12, 21, 22, 25, 26, 27, 28, 31, 33, 36, 38 and 40)	
Number	15
Percentage of total	37 1/2%
3. Recommendations which the Committee do not desire to pursue in view of Government's reply (vide recommendation at Serial Nos. 6, 8, 9, 11, 14, 24, 30, 32, 34, 35 and 37).	
Number	11
Percentage of total	27 1/2%
4. Recommendations in respect of which replies of Government have not been accepted by the Committee (vide recommendations at Serial Nos. 1, 2, 7, 10, 13, 15, 16, 17, 18, 19, 20, 23, 29, and 39)	
Number	14
Percentage of total	35%